Stock Code: 1308

# Asia Polymer Corporation

# 2020 Annual Report

APC corporate website: http://www.apc.com.tw
Market Observation Post System: http://mops.twse.com.tw

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Title: Sales Manager

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Acting spokesperson:

Name: Chen, Cheng-Shun

Title: Accounting Manager

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II. Contact Information of the Head Office, Branch Offices, and Plants:

| with the Issuer | Address | Telephone Number |
|---|---|---|
| Head office and Linyuan Plant | No. 3, Gongye 1st Road, Linyuan District, Kaohsiung City | (07)704-0988 |
| Taipei Office | 12th Floor, No. 37, Jihu Road, Taipei City, Taiwan, R.O.C. | (02)8751-6888 |

III. Name, Address, and Telephone Number of Share Transfer Agency:

Name: Stock Affairs Department of Asia Polymer Corporation

Address: 6F, No. 17, Lane 120, Section 1, Neihu Road, Neihu District, Taipei City

Phone: (02) 2650-3773

Joint Stock Affairs Website: https://www.usig.com/USIGStockHome.aspx

IV. Name of Certificated Public Accountants (CPAs) Auditing the Financial Statements in the Most Recent Fiscal Year:

CPAs: Chiu, Cheng-Chun and Huang, Hsiu-Chun

Name of accounting firm: Deloitte Taiwan

Address: 20F, No. 100, Songren Road, Xinyi District, Taipei City

TEL: (02) 2725-9988

Website: https://www2.deloitte.com/tw

V. Overseas Securities Listing Exchange and Information: None.

VI. Corporate website: http://www.apc.com.tw

# Asia Polymer Corporation

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# Chapter I. Letter to Shareholders

Dear Shareholders,

The Company's 2020 consolidated net operating revenue was NT$ (same hereunder) 5.704 billion, an increase of $1.088 billion from last year. The consolidated profit before tax was about NT$1.285 billion, an increase of NT$301 million from 2019. The annual net net profit was NT$1.104 billion, and the budget achieving rate was 197%.

## (I) Accomplishments in 2020

Sales and Marketing:

Due to the impact of the epidemic, the demand for EVA in mainland China dropped in the first half of the market, but with the control of the epidemic in mainland China and the stimulus policies of various governments, the market demand has gradually rebounded, especially in the photovoltaic applications in mainland China. In the second half of the year, in order to catch up with the installation progress, demand increased greatly, and some manufacturers reduce production or switch to LDPE, EVA supply is not enough to meet the demand phenomenon. In the fourth quarter, the supply-demand imbalance was widened due to the delay in delivery of overseas shipments as a result of the epidemic, pushing the EVA spread to a new high in recent years, while the sales volume of our main product, coating grade EVA, grew slightly compared to last year and still ranked second in the coating grade market share in China. The average annual selling price of both LDPE and EVA fell by by 9% compared with 2019, while the sales volume of LDPE and EVA increased by 4% and decreased by 11% respectively compared with 2019, with total sales volume of 137,000 metric tons.

Materials and cost:

The world was hit by the rapid spread of the COVID-19 epidemic at the beginning of the year, which severely disrupted the normal functioning of the economic market. Crude oil prices collapsed instantly at the beginning of the year and then gradually increased, while the average prices of ethylene and VAM, the main raw materials, fell due to weak demand. The unit cost of ethylene and VAM consumption throughout the year fell by more than 20% compared with the previous year, and both were reduced by about 18% compared with the budget, which eased the pressure of the high cost of raw materials as in the past.

Production, research and development:

The Company has completed the project to upgrade the heat exchange of the process cold source recovery and purification system to save energy and reduce carbon to protect the shared global environment, and to replace the old equipment to maintain operational efficiency. In order to meet the trend of processing in the future, the Company is developing the production technologies for low crystallization point coating-grade/high-speed laminating film EVA to meet customer needs. The annual LDPE/EVA production volume was 130,000 tons which was a 4% decrease from 2019 and the budget achievement rate was 99%.

Comprehensive Annual Operating Performance:

In the face of market disruptions due to the epidemic and rapidly changing supply and demand conditions, the Company was concerned about the situation and adjusted its LDPE/EVA production and sales allocation appropriately. As a result, the raw material cost dropped more than the product price, and the price spread improved. The Company's consolidated net profit in 2020 was $922 million, an increase of $124 million from 2019. The consolidated non-operating income and expenditure was in a net profit of NT$363 million, a decrease of around NT$177 million compared with 2019, mainly due to the increase in net gain on valuation and disposal of equity-method investments and financial assets.

## (II) 2021 Business Plan outline and future development strategies:

With regard to the overall economy, research institutions predict that the global economy is on a growth path, which is favorable to the development of petrochemical industries closely related to economic growth. In addition, the solar energy market is expected to grow significantly due to the active promotion of green energy policies in China and the U.S., and our EVA packaging film main customers are also continuing to expand production capacity, so EVA demand growth is expected. However, more than 300,000 tons of new EVA production capacity is expected to commence in China this year, adding to the uncertainty of market supply and demand. We will continue to expand our market share in coating grade EVA, stabilize our position in the domestic LD and solar grade EVA markets, and continue to develop the special foaming grade EVA market with high VA and low MI. In terms of industry, we assessed the market competition and the development in the industry, and set an annual LDPE/EVA sales target of approximately 135,000 tons. In terms of regulations and environment, in response to the increasingly stringent environmental regulations, we focus on continuously strengthening labor safety and health management, implementing PSM (Process Safety Management), and refining personnel operations to conduct process control and emergency response training in order to reduce overall process risks and ensure the safety and health of our employees, as well as integrating and optimizing the distribution of cooling water usage in each production line to achieve concrete results in energy, water, and carbon reduction, fulfilling our corporate social responsibility, and creating sustainable management and development.

I wish you all good health and good fortune.

Chairman: Wu, Yi-Gui

General Manager: Wu, Pei-Chi

# Chapter II. Company Profile

## I. Date of incorporation: January 25, 1977

## II. Company History:

In response to the government's policy to promote investment, the first chairman of the Company Mr. Chao, Ting-Chen invited famous domestic and foreign corporate figures and plastic processing companies to jointly raise NT$600 million in share capital in order to build a medium- and low-density polyethylene plant in Linyuan Petrochemical Industrial Park. After its completion in March 1979, the plant immediately began operation and produced an annual output of 75,000 metric tons of medium- and low-density polyethylene.

The Company's main products include various film-grade, injection-grade and laminating film-grade low-density polyethylene. As the Company imported and incorporated the latest technology from the Gulf Oil Company into its initial manufacturing methods, its film-grade products possess good optical properties and processability, while its injection-grade products possess excellent gloss and toughness. Thereafter, the Company modified its manufacturing methods to produce laminating films of excellent quality.

In 1980, the Company increased its capital by NT$90 million using its retained earnings in 1979. In order to enhance its capital structure in 1982, the Company increased its capital by NT$110 million upon approval during the shareholders' meeting, thereby increasing its paid-in capital to NT$800,000,000.

In May 1984, construction began on the third production line. The production line officially started operation in September 1985, thereby increasing the Company's production capacity from 75,000 tons to 100,000 tons.

In addition, since June 20, 1986, the Company's shares have been publicly listed on the Taiwan Stock Exchange in response to the government's economic development policy of "securitization of capital and popularization of securities". In November 1986, BTR Nylex invested in the Company and acquired 51 percent of the Company's shares and transferred all its equity in the Company to its subsidiary - BTRN Asia in December within the same year.

In 1987, the Company increased its capital by NT$80 million using its retained earnings in 1986, thus increasing its paid-in capital to NT$880,000,000.

In 1988, during the shareholders' meeting, the shareholders approved the resolution to increase the Company's authorized capital to NT$1.4 billion, and the Board of Directors was authorized to issue shares in several installments. Within the same year, the Company increased its capital by NT$264 million using its retained earnings in 1987 as part of the funds required for the addition of co-generation equipment, thereby increasing its paid-in capital to NT$1,144,000,000.

In 1989, the Company increased its capital by NT$228.80 million in order to repay the first corporate debt issued by the Company for the construction of the third production line at the LDPE plant, thus increasing its paid-in capital to NT$1,372,800,000.

In 1990, the Company increased its capital by NT$137.28 million for the addition of co-generation equipment in order to deal with shortage of funds in 1987, thereby increasing its paid-in capital to NT$1,510,080,000.

In March 1997, BTR Asia transferred its 51 percent stake in the Company to Bermuda Fiji Guinea Co., Ltd. This company was an overseas holding company jointly and indirectly invested in by USI Corporation and UPC Group. In addition, Taiwan Union International Investment Co. replaced BTR Asia as the Company's director and supervisor.

In 1997, the Company increased its capital by NT$256.71 million and NT$120.81 million using its retained earnings and capital reserve in 1996 respectively to increase its working capital, thereby increasing its paid-in capital to NT$1,887,600,000.

In March 1997, the Company's Board of Directors approved the resolution to establish APC (BVI) Holding Co. Ltd. in order to facilitate overseas investment projects.

In June 1998, Bermuda Fiji Guinea Co., Ltd. transferred 7.65 percent and 43.35 percent out of its 51 percent stake in the Company to Taiwan Union International Investment Co. and Union Polymer Int'l Investment Corp., which was jointly and directly in invested by USI Corporation and UPC Group, and Union Polymer International Investment Corp. respectively.

In 1998, the Company increased its capital by NT$283.14 million using its retained earnings in 1997, thereby increasing its paid-in capital to NT$2,170,740,000.

In 1999, the Company increased its capital by NT$54,268,500 and

NT$54,268,500 using its retained earnings and capital reserve in 1998 respectively, thereby increasing its paid-in capital to NT$2,279,277,000.

During the re-election of directors and supervisors at the 2001 Annual General Meeting, Union Polymer International Investment Corp. replaced Taiwan Union International Investment Co. as the Company's director and supervisor, and Taiwan VCM Corporation was elected a supervisor of the Company.

In July 2003, the Company's Board of Directors approved the resolution to jointly invest in USI International Corp. with APC (BVI) Holding Co., Ltd., and establish an office in Shanghai in the name of USI International Corp., as its base to expand into the Mainland Chinese market.

In 2004, the Company increased its capital by NT$182,342,160 using its retained earnings in 2003, thus increasing its paid-in capital to NT$2,461,619,160. During the re-election of directors and supervisors during the 2004 Annual General Meeting, the Company's previous supervisor, Taiwan VCM Corporation was replaced by Union Polymer Int'l Investment Corp.

In 2005, the Company increased its capital by NT$147,697,150 using its retained earnings in 2004, thereby increasing its paid-in capital of NT$2,609,316,310.

During the re-election of directors and supervisors at the 2007 Annual General Meeting, the Company's previous supervisor, Union Polymer Int'l Investment Corp. was replaced by China General Terminal & Distribution Corporation. and Mr. Yeh, Te-Chang.

In August 2007, the Company's Board of Directors approved the resolution to establish APC Investment Corporation in order to facilitate domestic investment projects.

During the re-election of directors and supervisors at the 2010 Annual General Meeting, the Company's previous supervisors, Mr. Yeh, Te-Chang and Mr. Wu, Sheng-Chuan, the representative of China General Terminal & Distribution Corporation, were replaced by Mr. Chiang, Hui-Chung and Mr. Wu, Sheng-Chuan, the representative of Taiwan Union International Investment Co.

In 2010, the Company increased its capital by NT$521,863,260 using its retained earnings in 2009, thereby increasing its paid-in capital to NT$3,131,179,570.

In 2011, the Company increased its capital by NT$782,794,890 using its retained earnings in 2010, thereby increasing its paid-in capital to NT$3,913,974,460.

On December 25, 2011, the Company's Board of Directors approved the resolution to invest approximately NT$3.1 billion to build an EVA production line with an annual production capacity of 40,000 to 45,000 tons. The production line was completed in May 2016.

In 2012, the Company increased its capital by NT$782,794,890 using its retained earnings in 2011, thereby increasing its paid-in capital to NT$4,696,769,350.

In February 2014, the Company's Board of Directors approved the resolution to indirectly invest in the manufacture of petrochemical-related products at Gulei Petrochemical Park located in Zhangzhou, Fujian, China via an investment company established in a third region other than Taiwan and Mainland China. In March 2016, the Company's Board of Directors approved the resolution to indirectly invest no more than NT$6 billion in the above-mentioned project.

On June 26, 2014, the Company obtained the approval of the Ministry of Economic Affairs to increase its authorized capital by NT$1 billion, thereby increasing its total capital to NT$5,696,769,350 for future capital increase.

In 2015, the Company increased its capital by NT$234,838,460 using its retained earnings in 2014, thereby increasing its paid-in capital to NT$4,931,607,810.

In January 2016, the Company's Board of Directors approved the resolution to acquire all the shares of USI Trading (Shanghai) Co., Ltd owned by Swanlake Traders Ltd. via APC (BVI) Holding Co., Ltd. This equity transfer was approved by the Investment Commission under the Ministry of Economic Affairs in August 2016 and was completed in October 2016. The Company obtained the approval letter for the operations headquarters in October of the same year.

In March 2016, the Company's Board of Directors approved the resolution to relocate its headquarters from Taipei City to Kaohsiung City. The relocation was completed in June of the same year.

In 2016, the Company increased its capital by NT$98,632,150 using its retained earnings in 2015, thereby increasing its paid-in capital to NT$5,030,239,960.

In 2017, the Company increased its capital by NT$150,907,190 using its retained earnings in 2016, thereby increasing its paid-in capital to

NT$5,181,147,150.

In 2018, the Company increased its capital by NT$362,680,300 using its retained earnings in 2017, thereby increasing its paid-in capital to NT$5,543,827,450.

In February 2008, the Board of Directors approved the resolution that in order to ensure an adequate supply of the raw material ethylene, an ethylene storage tank and underground ethylene pipelines would be constructed.

In 2020, the Company increased its capital by NT$277,191,370 using its retained earnings in 2019, thereby increasing its paid-in capital to NT$5,821,018,820.

In August 2020, the Board of Directors of the Company passed a resolution to establish a joint venture sales company in Fujian Province, China, through a company established in a third region.

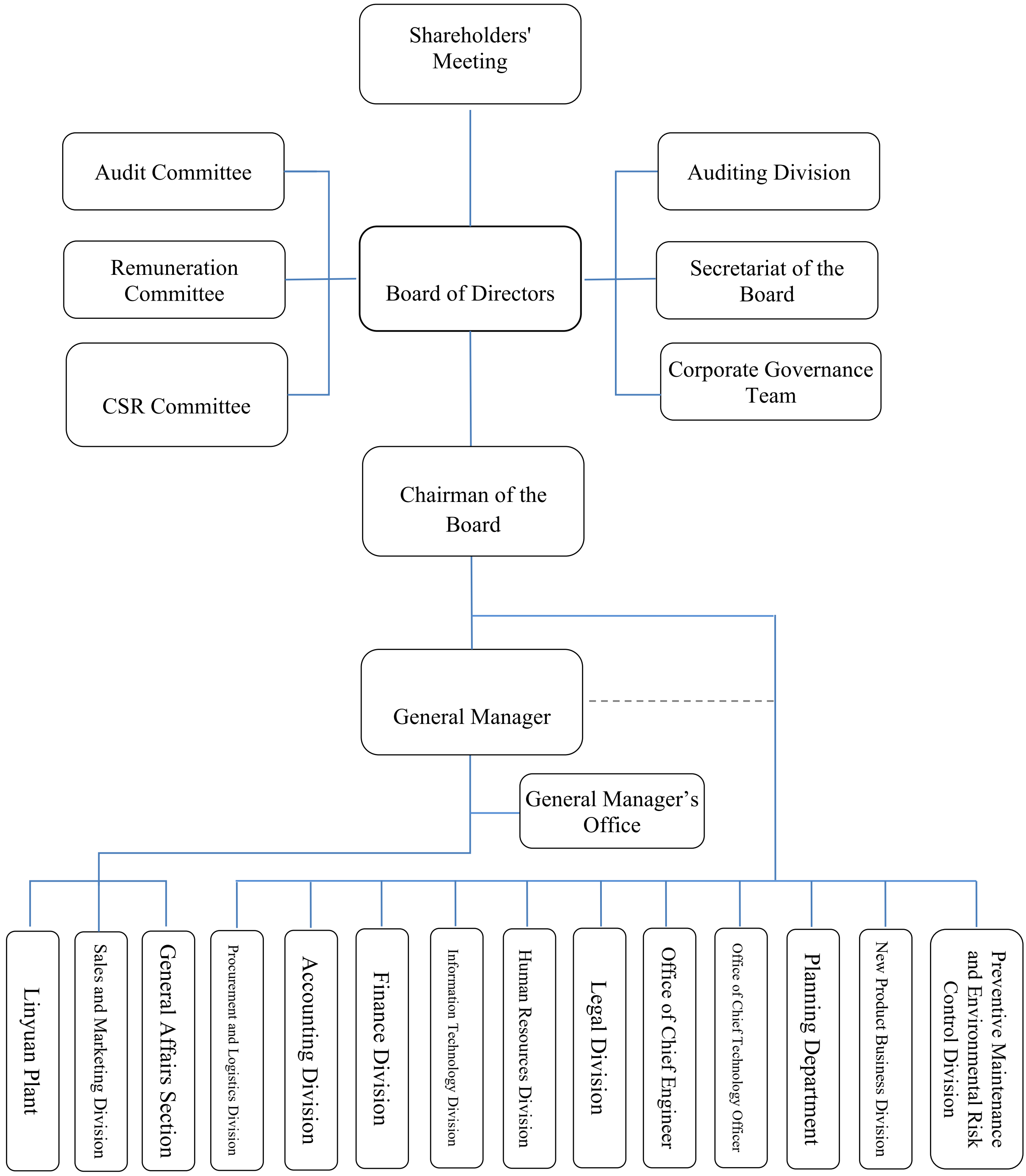
In 2020, the Company won the 13th TCSA "Corporate Sustainability Report Awards - Gold Award".

# Chapter III. Corporate Governance Report

## I. Organizational Structure

### (I) Organizational Structure

Organizational Chart, as of April 30, 2021



## (II) Responsibilities and Functions of Major Divisions

| Departments | Main Responsibilities and Functions |
|---|---|
| General Manager | Management of the Company's operations. |
| Linyuan Plant | Responsible for matters related to manufacturing, research and development (R&D), storage, coordinating transportation of company products and maintenance of plant equipment, work safety, and environmental protection |
| Sales and Marketing Division | Responsible for processing product sales, market survey, and after-sales services. |
| General Affairs Section | Responsible for processing personnel evaluation, salary, and general administrative tasks. |
| Auditing Division | 1. Implement internal audit and improve work flows in the Company.<br>2. Evaluate the soundness and reasonableness of the Company's internal control systems, as well as the effectiveness of their implementations at all departments and divisions. |
| Procurement and Logistics Division | 1. Purchase and audit major capital expenditures including raw materials, machinery and equipment.<br>2. Plan the supervision and execution of trading and transportation, warehousing, and customs-related operations |
| Accounting Division | 1. Preparation and analysis of financial statements and budgets to be used by decision-making units for the management and formulation of strategies.<br>2. Establishment, evaluation, and implementation of accounting systems<br>3. Planning and reporting of various taxes.<br>4. Regular announcement or reporting of financial performance. |
| Finance Division | 1. Fund management, and planning and scheduling of fundraising activities.<br>2. Short-term financing and long-term investments.<br>3. Property insurance.<br>4. Credit control operations.<br>5. Collection of delayed payments.<br>6. Handling of various shares-related matters |
| Information Technology Division | Plan, build, develop, and manage various information systems and facilities at the Company. |
| Human Resources Division | 1. Plan human resources strategies and systems.<br>2. Plan training and organizational development strategies.<br>3. Plan and handle salary and benefits.<br>4. Provide employee services and handle general affairs.<br>5. Assist overseas branches in organizational planning, as well as dispatch and training of personnel. |
| Legal Division | Provide legal advice, handle legal cases and affairs. |

| Departments | Main Responsibilities and Functions |
| --- | --- |
| Office of Chief Engineer | 1. Assist and participate in the construction of new plants, or deal with such constructions entirely.<br>2. Assist and participate in the improvement of equipment and local manufacturing processes in operation, or deal with such cases entirely.<br>3. Integration of engineering personnel and engineering specifications. |
| Office of Chief Technology Officer | Product research, development, and innovation. |
| Planning Department | 1. Develop and propose product trees, according to markets for current products and products to be invested in the future, as well as the technical strengths and weaknesses of such products, for future planning and development.<br>2. Track and analyze the macroeconomy.<br>3. Track and analyze upstream industries and future competitors.<br>4. Coordination and follow-up of various projects. |
| Secretariat of the Board | 1. Plan and handle matters related to Board of Directors' meetings.<br>2. Handle matters related to Shareholders' meetings such as convening Shareholders' meetings, dealing with various announcements and reporting associated with Shareholders' meetings, preparing agenda handbooks and keeping information regarding shareholders present at Shareholders' meetings in accordance with the law.<br>3. Assist in promoting and handling decrees issued by the competent authority. |
| Remuneration Committee | 1. The Committee evaluates the remuneration policy and system of the Directors and managers objectively and make suggestions to the Board of Directors accordingly for policy-making reference.<br>2. The Committee adopts a comprehensive remuneration management system to encourage managerial officers to perform their duties for business operations, improve management performance, core competitiveness, and short, mid, and long-term profitability and create value for shareholders. |
| Audit Committee | 1. Establishment, amendment, and evaluation of the effectiveness of internal control systems.<br>2. Stipulate or amend the procedures for acquiring or disposing of assets, derivatives trading, lending funds to others, and making endorsements or guarantees to others.<br>3. Asset transactions or derivatives trading of a material nature.<br>4. Fund providers Loans of funds, endorsements, or provision of guarantees of a material nature.<br>5. The hiring or dismissal of a certified public accountant, or their compensation. |

| Departments | Main Responsibilities and Functions |
|---|---|
| | 6. Review the annual financial statements and the semi-annual financial statements.<br>7. Other material matters as may be required by the Company or by the competent authority. |
| CSR Committee | 1. Review the corporate social responsibility policy.<br>2. Review the operations of the CSR Committee.<br>3. Review the Company's strategies, objectives and actions for corporate social responsibility policies, and provide guidance and follow-up of the progress and performance improvements of various action plans.<br>4. Supervise the preparation of the CSR Report.<br>5. Review and storage of other information related to CSR. |
| Corporate Governance Team | 1. Matters related to meetings of the Board of Directors and shareholders' meetings in accordance with the law.<br>2. Minutes recording for meetings of the Board of Directors and shareholders' meetings.<br>3. Assistance to the Directors with taking office and continuous education and training.<br>4. Provision of the information required for the Directors to conduct business.<br>5. Assisting Directors in legal compliance.<br>6. Other matters stipulated in the Articles of Incorporation or the contract. |
| New Product Business Division | 1. Assist in formulating marketing strategies for new businesses, and establish appropriate business models.<br>2. Responsible for developing new products or acquiring new customers to increase revenue.<br>3. Integrate company resources and generate synergy so as to enhance the successful development of new businesses. |
| Preventive Maintenance and Environmental Risk Control Division | 1. Assist the Group in establishing preventive maintenance systems at all plants.<br>2. Improve and enhance existing equipment.<br>3. Manage equipment malfunction and prevention.<br>4. Routine/non-routine audit, counseling and training.<br>5. Environment risk management planning and technical supervision.<br>6. Plan and promote compliance with laws related to energy conservation and carbon reduction, and establish related systems. |

# II. Information of Directors, Supervisors, General Managers, Deputy General Managers, Senior Managers and Heads of Departments and Branches

## (I) Board of Directors (1)

April 13, 2021

| Title (Note 1) | Nationality or Place of Registration | Name | Gender | Date Elected (Appointed) | Term | Date First Elected (Note 2) | Shares Held when Elected | | Shares Currently Held | | Shares Held by Spouse and Minors | | Shares Held in the Name of Other Persons | | Major Work Experience and Academic Qualifications (Note 3) | Titles also held in the Company and other companies. | Managerial Officers, Directors or Supervisors Who Are Spouses or Relatives within the Second Degree of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | Shares holding % | Shares | Shares holding % | Shares | Shares holding % | Shares | Shares holding % | | | Title | Name | with the Issuer | |
| Chairman and Chief Executive Officer | Taiwan (R.O.C.) | Union Polymer Int'l Investment Corp. | — | 2019.06.24 | 3 years | 2001.06.18 | 200,042,785 | 36.08% | 210,044,924 | 36.08% | - | - | 0 | 0% | Chairman, USI | (Note 6) | None | | | (Note 4) |
| | Taiwan (R.O.C.) | Representative: Quintin Wu | Male | | | 1997.02.28 | - | - | 0 | 0% | - | - | 0 | 0% | | | | | | |
| Directors | Taiwan (R.O.C.) | Union Polymer Int'l Investment Corp. | — | 2019.06.24 | 3 years | 2001.06.18 | 200,042,785 | 36.08% | 210,044,924 | 36.08% | - | - | 0 | 0% | Department of Chemical Engineering, Chung Yuan Christian University; General Manager, Taiwan VCM Corporation; Deputy General Manager, USI | Director: Taiwan VCM, China General Terminal & Distribution | None | | | |
| | Taiwan (R.O.C.) | Representative: Li, Kuo-Hung | Male | | | 2007.06.15 | - | - | 0 | 0% | 0 | 0% | 0 | 0% | | | | | | |
| Director and General Manager | Taiwan (R.O.C.) | Union Polymer Int'l Investment Corp. | — | 2019.06.24 | 3 years | 2001.06.18 | 200,042,785 | 36.08% | 210,044,924 | 36.08% | - | - | 0 | 0% | General Manager of Thermoset Materials Division in Asia Pacific, and Director of Basic Plastic Sales in Greater China, Dow Chemical; Sales Engineer, Taiwan Branch, ESSO | (Note 7) | None | | | |
| | Taiwan (R.O.C.) | Representative: Wu, Pei-Chi | Male | | | 2019.03.26 | - | - | 0 | 0% | 0 | 0% | 0 | 0% | | | | | | |
| Directors | Taiwan (R.O.C.) | Union Polymer Int'l Investment Corp. | — | 2019.06.24 | - | 2001.06.18 | 200,042,785 | 36.08% | 210,044,924 | 36.08% | - | - | 0 | 0% | PhD in Business Administration, Nova Southeastern University (U.S.A.) | (Note 8) | None | | | |
| | Taiwan (R.O.C.) | Representative: Liu, Chen-Tu (Note 5) | Male | | | 2001.06.18 | - | - | 0 | 0% | 0 | 0% | 0 | 0% | | | | | | |
| Directors | Taiwan (R.O.C.) | Union Polymer Int'l Investment Corp. | — | 2020.09.01 | 1 year and 10 months | 2001.06.18 | 200,042,785 | 36.08% | 210,044,924 | 36.08% | - | - | 0 | 0% | PhD in Chemical Engineering, Pennsylvania State University (U.S.A.) | (Note 9) | None | | | |
| | Taiwan (R.O.C.) | Representative: Liu, Han-Tai (Note 5) | Male | | | 2013.06.10 | - | - | 0 | 0% | - | - | 0 | 0% | | | | | | |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Directors | Taiwan (R.O.C.) | Union Polymer Int'l Investment Corp. | — | 2019.06.24 | 3 years | 2001.06.18 | 200,042,785 | 36.08% | 210,044,924 | 36.08% | - | - | 0 | 0% | Fashion Institute of Design and Merchandising; FIDM-Merchandise Marketing; President: Changju Food Co., Ltd., Jinyi Global Operations Co., Ltd., Liancai Co., Ltd., and Jo Wei Distribution and Trading Company Limited. | (Note 10) | None | |
| | Taiwan (R.O.C.) | Representative: Wu, Hung-Chu | Male | | | 2019.06.24 | - | - | 0 | 0% | 0 | 0% | 0 | 0% | | | | |
| Directors | Taiwan (R.O.C.) | Tai Lien International Investment Co., Ltd. | — | 2019.06.24 | 3 years | 2010.06.15 | 20,932,787 | 3.78% | 21,979,426 | 3.78% | - | - | 0 | 0% | Department of Chemical Engineering, Chung Yuan Christian University; United Nylon Co., Ltd.; China Phosphate Co., Ltd.; and TSRC Corporation | (Note 11) | None | |
| | Taiwan (R.O.C.) | Representative: Ko, I-Shao | Male | | | 2018.03.13 | - | - | 0 | 0% | 0 | 0% | 0 | 0% | | | | |
| Independent Directors | Taiwan (R.O.C.) | Chen, Ta-Hsiung | Male | 2019.06.24 | 3 years | 2016.06.08 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | College of Law, National Taiwan University; Trustee of Mitsubishi Corporation (Taiwan) Ltd.; Chairman, New Northern Knitting Co., Ltd.; Chairman, Shanghai Jianeng Textile Co., Ltd.; Chairman of the Board of Supervisors, National Association of Small & Medium Enterprises R.O.C.; Representative, Chinese Taipei in the APEC Business Advisory Council (ABAC); Executive Director, Importers and Exporters Association of Taipei; Director, Republic of China Trade Education Foundation | Honorary Chairman: Chairman: Xiuzi International Co., Ltd. and Xiuzhi Co., Ltd. Director: Yang Tang-Hai Social Welfare and Charity Foundation | None | |
| Independent Directors | Taiwan (R.O.C.) | Shen, Shang-Hung | Male | 2019.06.24 | 3 years | 2016.06.08 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | MBA, Emory University; Department of Electrical Engineering of National Taiwan University; AT&T Manager | (Note 12) | None | |
| Independent Directors | Taiwan (R.O.C.) | Cheng, Tun-Chien | Male | 2019.06.24 | 3 years | 2016.06.08 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | MBA, Columbia University (U.S.A.); General Manager, UMC Capital; Director and General Manager, United Management Consultancy Investment Co., Ltd.; Executive Director and General Manager, Taiwan of Morgan Stanley Asia Limited; Executive Director, Goldman Sachs Asia L.L.C. | (Note 13) | None | |

Note 1: In the case of institutional shareholders, their names and representatives should be stated (for representatives, the names of institutional shareholders they represent should be indicated respectively) and filled in Table 1.

Note 2: Any disruption of duty as a director or supervisor after the date he/she is elected shall be included in a separate note.

Note 3: Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, shall be disclosed along with job titles and responsibilities.

Note 4: Where the chairman, general manager, or individual with equivalent roles of the Company are the same individual, spouses, or relatives within the first degree of kinship, the Company shall specify related information regarding the reason, reasonableness, necessity, and response measures (e.g., appointment of additional Independent Directors and requiring the appointment of more than half of the Directors from individuals who are not employees or managers).

(1). The Company appoints the same person to serve as the Chairman and CEO of the Company due to overall business operations. We rely on the Chairman's insight for business operations to manage business decisions and improve operational efficiency.

(2). More than half of the members of the Company's current Board of Directors do not serve concurrently as employees or managerial officers. The Company also appoints a major CPA firm to perform audits and established the Audit Committee, Remuneration Committee, and Corporate Social Responsibility Committee to strengthen corporate governance and continues to implement rigorous internal control mechanisms to reduce operational risks.

Note 5: Corporate shareholder Union Polymer International Investment Corporation appointed Mr. Liu, Han-Tai as its representative to serve as director in place of Mr. Liu, Zhen-Tu on September 1, 2020.

Note 6: Chairman: USI, CGPC, TTC, Acme Electronics Corporation, Union Polymer Int'l Investment Corp, USI Optronics Corporation, Swanson Plastics Corporation, Swanson Technologies Corporation, Chong Loong Trading Co., Ltd., USI Investment, CGPCPOL, APC Investment, Taiwan United Venture Capital Corporation, USI Management Consulting, Taiwan United Venture Management Corporation, Acme (Cayman), USI Education Foundation, and Fujian Gulei Petrochemical
Director: Taiwan VCM Corporation, USI (Hong Kong), Swanlake, USI International, Acme Components (Malaysia), Forever Young, Curtana, Swanson (Singapore), Swanson (Malaysia), Swanson International, Swanson (India), Swanson Plastics Corporation (Kunshan), Golden Amber Enterprises, Acme Electronics Corporation (Kunshan), Acme Electronics Corporation (Guangzhou), Taita (BVI), APC (BVI), CGPC (BVI), CGPC America, A.S. Holdings (UK), ASK-Swanson, Acme Ferrite, Swanson Plastics Corporation (Tianjin), Cypress Epoch, Ever Conquest Global, Ever Victory Global, Dynamic Ever Investments, CIS (Shanghai), PT. Swanson Plastics Indonesia, Yutao Investment, Dasheng Ventures, Dasheng Yiyi Ventures, and

CTCI Group
General Manager: Union Polymer International Investment Corporation, USI Management Consulting, Dynamic Ever Investments, Ever Victory Global
Chief Executive Officer: USI, APC, CGPC, TTC, Acme Electronics Corporation and USI Optronics Corporation
Executive Director: Chinese National Federation of Industries

Note 6: Chairman: TTC (Zhongshan), TTC (Tianjin), USI Trading (Shanghai) Co., Ltd.
Director: Dynamic Ever Investments Ltd., Ever Victory Global Limited, Ever Conquest Global Limited, Taita (BVI) Holding Co., Ltd., APC (BVI) Holding Co., Ltd., USI International Corporation, Cypress Epoch, TTC, CGTDC, Asia Polymer Investment Corporation, Chong Loong Trading Co. Ltd., Swanson Plastics Corporation, Swanson Technologies Corporation, INOMA Corporation, USI Education Foundation, Taiwan United Venture Capital Corporation, USI Management Consulting, CIS (Shanghai)
Supervisor: USI Optronics Corporation, Fujian Gulei Petrochemical
General Manager: TTC, Asia Polymer Corporation, and USI Trading (Shanghai) Co., Ltd.

Note 8: Director: TTC, CGPC, CGTDC, Wafer Works (Note)
Note: Served as Director of Wafer Works Corporation whose main business operations include the research and development, design, manufacturing, import/export, agency, and distribution of semiconductors and materials thereof

Note 9: Director: Ever Victory Global Ltd., Dynamic Ever Investments Ltd., CGPC, TTC, Continental General Plastics (Zhongshan) Co., Ltd., Taiwan VCM Corporation, Swanson Plastics Corp., and INOMA Corporation and USI Education Foundation
Supervisor: China General Terminal and Distribution Corporation
Deputy General Manager: USI Corporation

Note 10: Director: Changhui Construction and Maoxi Construction
General Manager: Chang Jie Food Co., Ltd., Jo Wei Distribution and Trading Company Limited

Note 11: Chairman: Zhenjiang UPC, Zhongshan UPC, Zhuhai UPC, Taizhou UPC, Taizhou Warehousing, Taizhou Plastic, Tai Lien International, Jiangsu Logistics, Guangdong Logistics, Panjin UPC, Panjin Warehousing, Panjin Materials, Nanchong UPC, Sichuan Logistics, and Wei Cheng Investment
Executive Director: Zhenjiang Lianju
Director: TTC, China General Terminal & Distribution Co., UPC Group, UPC Venture Capital, United Industrial Gases Co., Ltd., UPC Chemicals (Malaysia) SDN.BHD, UPCM Trading (Thailand) Company Limited, and UPCM Trading (Vietnam) Company Limited, APC (BVI) Holding Co., Ltd., Taita (BVI) Holding Co., Ltd.
General Manager: UPC Group, Zhenjiang Union Chemical Industry Co., Ltd., Zhongshan Unicizers Industrial Co., Ltd., Zhuhai Unicizers Industrial Co., Ltd., Zhongshan Union Trading Co., Ltd., Taizhou Union Chemical Industry Co., Ltd., Taizhou Union Logistics Co., Ltd., Taizhou Union Plastics Industry Co., Ltd., Jiangsu Union Logistics Co. Ltd., Guangdong Union Logistics Co., Ltd., Panjin Union Chemical Industrial Co., Ltd., Panjin Union Logistics Co., Ltd., Panjin Union Materials Industry Co., Ltd., Nanchong Unicizers Industrial Co., Ltd. and Sichuan Logistics Co., Ltd.

Note 12: Chairman: Ta Ya Electric Wire & Cable, Cuprime Material Co., Ltd., Jia Hsi Investment Holding Co. Ltd., Chia Shang Capital, Honeyed Investment Co., Ltd., HUA YA Venture Capital Co., Ltd., TA YA Innovation Investment Co., Ltd., Ta Ya Green Energy Technology Co., Ltd., Touch Solar Power Co., Ltd., BOSI SOLAR ENERGY CO., LTD., Cugreen Metal Tech Co., Ltd., United Electric Industry Co., Ltd., Po Shuo Power, Union Storage Energy System Ltd., and Sin Jhong Solar Power Co., Ltd.
Director: Iridium Medical Technology Co., Ltd., Jung Shing Wire Co., Ltd., Bora Pharmaceuticals Co., Ltd., and Bigbest Solutions, Inc.
Independent Director: Mercuries Data Systems Ltd., Partner Tech Corporation
Supervisor: Ta Ho Engineering, Co., Ltd.

Note 13: Chairman: Hongding Capital, TriKnight Capital Corporation, and LuxNet Corp.
Director: FuSheng Precision Co., Ltd., Advanced Energy Solution Holding Co., Ltd., and Minson Integration, Inc.
Independent Director: EDOM Technology, TAYA Group, and EMC

## Table 1: Major shareholders of juristic person shareholders

April 13, 2021

| Name of Juristic Person Shareholder (Note 1) | Major Shareholders of Institutional Shareholder (Note 2) | |
|---|---|---|
| Union Polymer International Investment Corporation | USI Corporation | 100% |
| Taiwan Union International Investment Corporation | UPC Technology Corporation | 100% |

Note 1: For legal person directors and supervisors, the names of the institutional shareholders shall be disclosed.

Note 2: Fill in the name of the major shareholders of these institutional shareholders (include top 10 major shareholders by shareholding percentage) and their shareholding percentages. If the major shareholder is an institution, the information shall be filled in Table 2 below.

Note 3: Where an institutional shareholder is not organized as a company, the name of the shareholders and shareholding ratio that must be disclosed in accordance with the above shall be the name of the funder or donor and the funding or donation ratio.

## Table 2: Major shareholders of juristic person shareholders

April 13, 2021

| Name of Juristic Person (Note 1) | Major Shareholders of Juristic Persons (Shareholding Percentage) (Note 2) | |
|---|---|---|
| USI Corporation | Shing Li Enterprises (Hong Kong) Limited | 14.62% |
| | Wholegainer Company Limited' investment account is under custody of Fubon Securities Co., Ltd. | 9.25% |
| | Asia Polymer Corporation | 8.53% |
| | Yueh Hsing Hua Investment Co., Ltd. | 1.73% |
| | Lin Su, Shan-Shan | 1.67% |
| | Norges Bank Investment Account is under custody of Citibank (Taiwan) Limited | 1.60% |
| | Total Success Investment Limited | 1.50% |
| | Yu, Wen-Hsuan | 1.41% |
| | Yu, Wen-Tsung | 1.41% |
| | Yu, Wen-Yu | 1.41% |
| UPC Technology Corporation | Lien Hwa Industrial Holdings Corp. | 31.89% |
| | Synnex Technology International Corporation | 5.18% |
| | Yi Yuan Investment Co., Ltd. | 1.62% |
| | Liberty Stationery Corporation | 1.55% |
| | Tung Ta Investment Co., Ltd. | 1.46% |
| | Mei An Investment Co., Ltd. | 1.35% |
| | Tsu Feng Investment Co., Ltd. | 1.23% |

| Name of Juristic Person (Note 1) | Major Shareholders of Juristic Persons (Shareholding Percentage) (Note 2) | |
|---|---|---|
| | MiTac International Corp. | 1.21% |
| | Pornchai Engineering & Trading Company Limited | 1.12% |
| | Investment account of Goldman Sachs International under custody of HSBC Bank (Taiwan) Limited | 1.10% |

Note 1: If the major shareholder of juristic person shareholders as shown in Table 1 is a juristic person, the name of the juristic person shall be filled.

Note 2: Fill in the name of the major shareholders of these institutions (include top 10 major shareholders by shareholding percentage) and their shareholding percentages.

Note 3: Where an institutional shareholder is not organized as a company, the name of the shareholders and shareholding ratio that must be disclosed in accordance with the above shall be the name of the funder or donor and the funding or donation ratio.

## (I) Board of Directors (2)

April 30, 2021

| Name (Note 1) \ terms | Has more than five years of work experience and the following professional qualifications | | | Status of Independence (Note 2) | | | | | | | | | | | | Number of companies in which the Directors also serves concurrently as an Independent Director |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Serve in lecturer roles or above in public or private college institutions in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the company's operations | Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company | Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Quintin Wu | | | ✓ | | | ✓ | | | | | | | ✓ | ✓ | | 0 |
| Li, Kuo-Hung | | | ✓ | ✓ | | ✓ | ✓ | | ✓ | | ✓ | ✓ | ✓ | ✓ | | 0 |
| Wu, Pei-Chi | | | ✓ | | | ✓ | | | | | | | ✓ | ✓ | | 0 |
| Liu, Zhen-Tu | | | ✓ | | | ✓ | | | | | | | ✓ | ✓ | | 0 |
| Wu, Hung-Chu | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Ko, I-Shao | | | ✓ | ✓ | | ✓ | ✓ | | | | | ✓ | ✓ | ✓ | | 0 |
| Chen, Ta-Hsiung | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Shen, Shang-Hung | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 |
| Cheng, Tun-Chien | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 |

Note 1: Please add more rows to accommodate additional entries.
Note 2: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.
(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates. (however, if the independent director is engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);
(5) Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of issued shares of the company or of a corporate shareholder that ranks among the top five in shareholdings (however, if the independent director is engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
(6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (however, if the independent director is engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
(7) Not a director (or a managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (however, if the independent director is engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).
(8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).
(9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for Aurora or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT$500,000 in the past two years. Provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
(10) Not a spouse or a relative within the second degree of kinship with any director.
(11) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.
(12) Where the person is not elected in the capacity of the government, an institution, or a representative thereof as provided in Article 27 of the Company Act.

## (II) Information Regarding General Manager, Deputy General Managers, Senior Managers, and Heads of Departments

April 13, 2021

| Title (Note 1) | Nationality | Name | Gender | Date Elected Date | When Elected | | Spouse & Minor Shareholding | | Shares Held in the Name of Other Persons | | Major Work Experience and Academic Qualifications (Note 2) | Concurrent positions in other companies | Managerial Officers who are Spouses or Within Second Degrees of Kinship | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Shares holding % | Shares | Shares holding % | Shares | Shares holding % | | | Title | Name | with the Issuer | |
| Chief Executive Officer | Taiwan (R.O.C.) | Quintin Wu | Male | 2009/09/01 | 0 | 0% | - | - | 0 | 0% | Chairman, USI | (Note 4) | None | None | None | (Note 3) |
| General Manager | Taiwan (R.O.C.) | Wu, Pei-Chi | Male | 2019/03/26 | 0 | 0% | 0 | 0% | 0 | 0% | General Manager of Thermoset Materials Division in Asia Pacific, and Director of Basic Plastic Sales in Greater China, Dow Chemical; Sales Engineer, Taiwan Branch, ESSO | (Note 5) | None | None | None | |
| Assistant VP of Sales Department | Taiwan (R.O.C.) | Wu, Ming-Tsung | Male | 2016/01/21 | 0 | 0% | 0 | 0% | 0 | 0% | Master in Chemical Engineering, National Taiwan University | USI Corporation Senior Manager of Sales Division | None | None | None | |
| Director of Linyuan Plant | Taiwan (R.O.C.) | Chen, Chun-Hung | Male | 2019/11/11 | 0 | 0% | 18,314 | 0% | 0 | 0% | Master's Degree, Chemical Engineering, National Cheng Kung University | None | None | None | None | |
| Corporate Governance Officer. | Taiwan (R.O.C.) | Chen, Yung-Chih | Male | 2019/05/09 | 0 | 0% | 0 | 0% | 0 | 0% | PhD in Law, Ludwig Maximilian University of Munich; experience provided in (Note 6) | (Note 7) | None | None | None | |
| Accounting Manager | Taiwan (R.O.C.) | Chen, Cheng-Shun | Male | 2015/09/01 | 0 | 0% | 0 | 0% | 0 | 0% | Graduated from Dept. of Accounting, Fu Jen Catholic University | China General Terminal & Distribution Co., Ltd. Accounting Manager | None | None | None | |
| Finance Manager | Taiwan (R.O.C.) | Shih, Ju-Hsuan | Female | 2014/09/01 | 0 | 0% | - | - | 0 | 0% | Graduated from Dept. of Accounting, Soochow University | None | None | None | None | |
| Sales Manager | Taiwan (R.O.C.) | Huang, Ko-Ming | Male | 2018/08/10 | 0 | 0% | 0 | 0% | 0 | 0% | Department of Fiber Engineering Technology, National Taiwan Institute of Technology; Senior Manager Special Assistant, Sales Division, USI/APC | Senior Manager, Sales Division, USI/APC Special Assistant | None | None | None | |

Note 1: Information regarding General Manager, Deputy General Manager, senior managers, managerial officers of departments and branches shall be included, whereas information regarding positions equivalent to General Manager, Deputy General Manager or senior managers shall be disclosed regardless of job title.
Note 2: Work experiences of anyone in the table above that are related to their current roles, such as previous employment at CPA firms or employment in affiliated companies, shall be disclosed along with job titles and responsibilities.
Note 3: when the general manager or person holding the equivalent post (top manager) and the chairman of the board are the same person, spouse or relative of first degree, the reasons, rationality, necessity and corresponding measures (such as increasing the number of independent directors, and the way that more than half of the directors are not employees or managers) shall be disclosed.

(1). The Company appoints the same person to serve as the Chairman and CEO of the Company due to overall business operations. We rely on the Chairman's insight for business operations to manage business decisions and improve operational efficiency.

(2). More than half of the members of the Company's current Board of Directors do not serve concurrently as employees or managerial officers. The Company also appoints a major CPA firm to perform audits and established the Audit Committee, Remuneration Committee, and Corporate Social Responsibility Committee to strengthen corporate governance and continues to implement rigorous internal control mechanisms to reduce operational risks.

Note 4: Chairman: USI Corporation, China General Plastics Corporation, Taita Chemical Company Limited, Acme Electronics Corporation, United Polymers Corporation, USI Optronics Corporation, Swanson Plastics Corporation, Swanson Technologies Corporation, Chong Loong Trading Co., Ltd., USI Investment Co., Ltd., CGPC Polymer Corporation, Asia Polymer Investment Corporation, Taiwan United Venture Capital Corporation, USI Management Consulting Corporation, Taiwan United Venture Management Corporation, Acme Electronics (Cayman) Corporation, USI Education Foundation and Fujian Gulei Petrochemical.
Director: Taiwan VCM Corporation, USI (Hong Kong), Swanlake, USI International, Acme Components (Malaysia), Forever Young, Curtana, Swanson (Singapore), Swanson (Malaysia), Swanson International, Swanson (India), Swanson Plastics Corporation (Kunshan), Golden Amber Enterprises, Acme Electronics Corporation (Kunshan), Acme Electronics Corporation (Guangzhou), Taita (BVI), APC (BVI), CGPC (BVI), CGPC America, A.S. Holdings (UK), ASK-Swanson, Acme Ferrite, Swanson Plastics Corporation (Tianjin), Cypress Epoch, Ever Conquest Global, Ever Victory Global, Dynamic Ever Investments, CIS (Shanghai), PT. Swanson Plastics Indonesia, Yutao Investment, Dasheng Ventures, Dasheng Yiyi Ventures, and CTCI Group
General Manager: Union Polymer International Investment Corporation, USI Management Consulting, Dynamic Ever Investments, Ever Victory Global
Chief Executive Officer: USI, CGPC, TTC, ACME, and USIO
Executive Director: Chinese National Federation of Industries

Note 5: Chairman: TTC (Zhongshan), TTC (Tianjin), USI Trading (Shanghai) Co., Ltd.
Director: Dynamic Ever Investments Ltd., Ever Victory Global Limited, Ever Conquest Global Limited, Taita (BVI) Holding Co., Ltd., APC (BVI) Holding Co., Ltd., USI International Corporation, Cypress Epoch, TTC, CGTDC, Asia Polymer Investment Corporation, Chong Loong Trading Co. Ltd., Swanson Plastics Corporation, Swanson Technologies Corporation, INOMA Corporation, USI Education Foundation, Taiwan United Venture Capital Corporation, USI Management Consulting, CIS (Shanghai)
General Manager: TTC, USI Trading (Shanghai) Co., Ltd.
Supervisor: USI Optronics Corporation, Fujian Gulei Petrochemical

Note 6: Director of Legal Department: LITE-ON Technology
Attorney: Winkler Partners
Independent director: WeForce Co., Ltd.
Arbitrator: Chinese Arbitration Association, Taipei

Note 7: Independent Director: Man Zai Industrial Co., Ltd.
Director: Continental General Plastics (Zhongshan) Co., Ltd. and RD&D Cold Logistics Co., Ltd.
Supervisor: Zhongshan Huaju Plastic & Chemical Products Co.,Ltd., CIS (Shanghai), USI Investment, APC Investment, Chong Loong Trading Co., Ltd., Swanson Plastics Corporation, Taiwan United Venture Capital Corp.,
Taiwan United Management Consulting, INOMA Corporation, Union Polymer International Investment Corp., Cerebra Technologies Co., Ltd., FiduciaEdge Technologies Co., Ltd.
Head of Corporate Governance: USI Corporation, CGPC Corporation, Taita Chemical Co., Ltd., Acme Electronics Corporation

(III) Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto.

The Company appoints the same person to serve as the Chairman and CEO of the Company due to overall business operations. We rely on the Chairman's insight for business operations to manage business decisions and improve operational efficiency.

More than half of the members of the Company's current Board of Directors do not serve concurrently as employees or managerial officers. The Company also appoints Deloitte & Touche Taiwan to perform audits and established the Audit Committee, Remuneration Committee, Corporate Social Responsibility Committee, and Corporate Governance Team to strengthen corporate governance and continues to implement rigorous internal control mechanisms to reduce operational risks.

# III. Remuneration of Directors, Supervisors, General Manager, and Deputy General Managers

## Remuneration paid to Directors, Independent Directors, Supervisors, General Manager, and Deputy General Managers

(I) If the Company has any of the following circumstances, it shall disclose its individual Directors' or Supervisors' name and remuneration; it can choose to disclose a range table with name disclosed, or disclose the name and remuneration individually for the rest (where individual disclosure is adopted, please fill in the job title, name, and amount; there is no need to fill in the table of remuneration ranges): None.

(1) Where it was a loss after tax in the parent company only or individual financial statements in the last three years, the name and remuneration of individual "Directors and Supervisors" shall be disclosed; provided that it is net income after tax in the parent company only or individual financial statements in the most recent year, and the said net income is sufficient to make up for the accumulated losses [Note 1].

(2) A Company with Directors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual Directors. A Company with Supervisors whose shareholding percentages have been insufficient for three (3) or more consecutive months during the most recent fiscal year shall disclose the remuneration of individual Supervisors [Note 2].

(3) A Company with an average ratio of shares pledged by Directors or Supervisors that exceeds 50 percent in any three (3) months during the most recent fiscal year shall disclose the remuneration paid to each individual Director or Supervisor who owns a ratio of shares pledged that exceeds 50 percent for each of these three months [Note 3].

(4) If the total amount of remuneration received by all the Directors and Supervisors of a company from all the companies listed in its financial statements exceeds two (2) percent of its net income after tax, and the amount of remuneration received by any individual Director or Supervisor exceeds NT$15 million, the Company shall disclose the amount of remuneration paid to individual Directors or Supervisors. (Description: The remuneration of Directors and Supervisors is calculated based on "Remuneration of Directors" plus "Remuneration of Supervisors" as in the Appendix without including the relevant remuneration received as concurrent employees.)

(5) Any result of evaluation made on corporate governance in the most recent year is in the last level, or any trading method changes, any trading or marketing stops, or any evaluation is rejected by the Corporate Governance Evaluation Committee in the most recent year as of the publication date of this Annual Report as a listed company.

(6) The average annual salary of a full-time employee of a listed company who does not hold a managerial position in the most recent year has not reached NT$500,000.

(II) If any of the foregoing events (1) or (5) occurs to a listed company, the remuneration information of the five highest paid individuals (such as general manager, deputy general manager, chief executive officer, or financial manager) shall be disclosed separately.

(I) Remuneration of Directors, Supervisors, General Manager and Deputy General Manager

1. Remuneration paid to Directors and Independent Directors (a remuneration range table with name disclosed)

Unit: NT$ thousand

| Title | Name (Note 1) | Remuneration of Directors | | | | | | | | Sum of items A, B, C and D to NIAT Ratio (Note 10) | | Relevant Remuneration Received by Directors Who are Also Employees | | | | | | | | Percentage of the total of 7 items A, B, C, D, E, F and G to net income after taxes (Note 10) | | Remuneration received from investee companies other than subsidiaries or the parent company (Note 11) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) (Note 2) | | Severance Pay and Pension (B) | | Directors' remuneration (C) (Note 3) | | Costs Incurred from Performance of Duty (D) (Note 4) | | | | Salary, Bonus and Allowances (G) (Note 5) | | Severance Pay and Pension (F) | | Employee Rewards (G) (Note 6) | | | | | | |
| | | | | | | | | | | | | | | | | The Company | | All the Companies Listed in the Consolidated Financial Statements (Note 7) | | | | |
| | | The Company | in the Company's Financial Statements (Note 7) | The Company | in the Company's Financial Statements (Note 7) | The Company | in the Company's Financial Statements (Note 7) | The Company | in the Company's Financial Statements (Note 7) | The Company | in the Company's Financial Statements (Note 7) | The Company | in the Company's Financial Statements (Note 7) | The Company | in the Company's Financial Statements (Note 7) | Amount of Cash | Dollar Amount of Shares | Amount of Cash | Dollar Amount of Shares | The Company | in the Company's Financial Statements (Note 7) | |
| Chairman of the Board | Quintin Wu | 0 | 0 | 0 | 0 | 0 | 0 | 924 | 924 | 0.084% | 0.084% | 11,291 | 11,291 | 0 | 0 | 112 | 0 | 112 | 0 | 1.117% | 1.117% | 32,872 |
| Directors | Wu, Pei-Chi | | | | | | | | | | | | | | | | | | | | | |
| Directors | Li, Kuo-Hung | | | | | | | | | | | | | | | | | | | | | |
| Directors | Wu, Hung-Chu | | | | | | | | | | | | | | | | | | | | | |
| Directors | Liu, Zhen-Tu Dismissal on September 1, 2020) | | | | | | | | | | | | | | | | | | | | | |
| Directors | Liu, Zhen-Tu Appointed on September 1, 2020) | | | | | | | | | | | | | | | | | | | | | |
| Directors | Ko, I-Shao | | | | | | | | | | | | | | | | | | | | | |
| Independent Directors | Shen, Shang-Hung | 3,600 | 3,600 | 0 | 0 | 0 | 0 | 540 | 540 | 0.375% | 0.375% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.375% | 0.375% | 0 |
| Independent Directors | Chen, Ta-Hsiung | | | | | | | | | | | | | | | | | | | | | |
| Independent Directors | Cheng, Tun-Chien | | | | | | | | | | | | | | | | | | | | | |

1. Please state the policies, systems, standards, and structure of independent directors 'remuneration payment, and describe the relevance to the amount of remuneration according to their responsibilities, risks, and time of investment:
The remuneration of Independent Directors is paid based on the Company's Articles of Incorporation and the remuneration policies and measures and depends on the degree of participation and the value of their contribution to the Company's operations, with reference to the median level in the industry, and it shall be distributed after submitted to and approved by the Remuneration Committee and adopted by the Board of Directors. Independent Directors do not receive other remuneration except for the fixed remuneration.
2. Unless disclosed above, the Directors of the current year received remuneration for providing services (such as serving as a non-employee consultant) to the companies listed in the consolidated financial statements: None.

*Please list the relevant information of the Directors (non-independent general directors) and Independent Directors, respectively.

Range of remuneration

| Range of Remuneration Paid to the Directors of the Company | Names of Director | | | |
|---|---|---|---|---|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The Company (Note 8) | All the Companies Included in the Financial Statements (Note 9) H | The Company (Note 8) | The Company and All the Investees Included in the Financial Statements (Note 9) I |
| Under NT$1,000,000 | Quintin Wu, Liu, Chen-Tu, Ko, I-Shao, Liu, Han-Tai, Li, Kuo-Hung, Wu, Pei-Chi, and Wu, Hung-Chu | Quintin Wu, Liu, Chen-Tu, Wu, Pei-Chi, and Wu, Hung-Chu<br>Ko, I-Shao, Liu, Han-Tai, Li, Kuo-Hung | Liu, Chen-Tu, Liu, Han-Tai, and Wu, Hung-Chu<br>Ko, I-Shao, Li, Kuo-Hung | Liu, Chen-Tu, Ko, I-Shao, Li, Kuo-Hung<br>Wu, Hung-Chu |
| NT$1,000,000 (inclusive) - NT$2,000,000 (exclusive) | Chen, Ta-Hsiung, Cheng, Tun-Chien, and Shen, Shang-Hung | Chen, Ta-Hsiung, Cheng, Tun-Chien, and Shen, Shang-Hung | Chen, Ta-Hsiung, Cheng, Tun-Chien, and Shen, Shang-Hung | Chen, Ta-Hsiung, Cheng, Tun-Chien, and Shen, Shang-Hung |
| NT$2,000,000 (inclusive) - NT$3,500,000 (exclusive) | | | | |
| NT$3,500,000 (inclusive) - NT$5,000,000 (exclusive) | | | Quintin Wu | |
| NT$5,000,000 (inclusive) - NT$10,000,000 (exclusive) | | | Wu, Pei-Chi | Wu, Pei-Chi |
| NT$10,000,000 (inclusive) - NT$15,000,000 (exclusive) | | | | Liu, Zhen-Tu |
| NT$15,000,000 (inclusive) - NT$30,000,000 (exclusive) | | | | Quintin Wu |
| NT$30,000,000 (inclusive) - NT$50,000,000 (exclusive) | | | | |
| NT$50,000,000 (inclusive)～NT$100,000,000 (exclusive) | | | | |
| Over NT$100,000,000 | | | | |
| Total | NT$5,064 thousand | NT$5,064 thousand | NT$16,467 thousand | NT$49,339 thousand |

Note 1: The name of Directors shall be listed, respectively (for institutional shareholders, the name of institutional shareholders and their representatives shall be listed, respectively), and the name of Directors and Independent Directors shall be listed respectively; the payment amount shall be disclosed in aggregation. This table and table (3-1), or tables (3-2-1) and (3-2-2) below shall be filled out if a Director concurrently serves as the General Manager or Deputy General Manager.

Note 2: Remuneration received by Directors in the most recent year (including salaries, job-related allowances, severance, bonuses, and rewards).

Note 3: The amount of compensation approved by the Board of Directors and distributed to the Directors in the most recent fiscal year.

Note 4: Business expenses paid to the Directors in the most recent fiscal year (including services and goods provided such as honoraria, special allowances, various allowances, accommodation, and vehicle). If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please indicate the the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note.

Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, honoraria, special allowance, various allowances, accommodation allowance and vehicle received by directors who concurrently serve as employees (including general manager, deputy general manager, other managerial officers and employees) in the most recent fiscal year. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please indicate the the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 section of "Share-Based Payment," including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration. The Company provides a driver; the annual remuneration was NT$558,000, plus NT$23,000 for relevant fuel costs.

Note 6: For Directors who concurrently serve as employees (including General Manager, Deputy General Manager, other managerial officers, and employees) and receive remuneration of employees (including stock and cash) for the past year, disclose the amount of remuneration distributed to employees after being approved by the Board for the past year. For amounts that are unable to estimate, propose the distribution amount for the year based on the actual distribution made last year, and fill out the Table 1-3.

Note 7: The total amount of all the remuneration paid to the Company's Directors by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed.

Note 8: The name of each Director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to each Director by the Company.

Note 9: The total amount of all the remuneration paid to each Director of the Company by all the companies (including the Company) listed in its consolidated financial statements shall be disclosed. The name of each Director shall be disclosed in the range of remuneration corresponding to the amount of all the remuneration paid to each Director by the Company.

Note 10: Net profit after tax refers to the net profit after tax in the most recent parent company only or individual financial report.

Note 11: a. To specify whether the Company's directors have received remuneration from investees beyond subsidiaries (If there is none, please fill in "none").

b. If a Director of the Company receives remuneration from investees other than subsidiaries or the parent company, the amount of remuneration received by the Director from investees other than subsidiaries shall be combined into Column I of the table for range of remuneration, and this column shall be renamed "Parent Company and All Investees."

c. Remuneration refers to the compensation, rewards (including rewards distributed to employees, Directors, and supervisors) and remuneration related to business expenses that are received by the Company's Directors who serve as Directors, supervisors or managerial officers at investees other than subsidiaries or the parent company.

*The content of compensation disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.

2. Remuneration Paid to Supervisors: Not applicable as the Company has an Audit Committee that replaces the functions of Supervisors.

3. Remuneration paid to General Manager and Deputy General Managers (range of remuneration with name disclosed)

Unit: NT$ thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name (Note 1)</th><th colspan="2">Salary (A) (Note 2)</th><th colspan="2">Severance Pay and Pension (B)</th><th colspan="2">Bonuses and special expenses (C) (Note 3)</th><th colspan="4">Employees' Remuneration (D) (Note 4)</th><th colspan="2">Proportion of the sum of A, B, C, and D (%) to NIAT (Note 8)</th><th rowspan="3">Remuneration received from investee companies other than subsidiaries or the parent company (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">in the Company's Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">in the Company's Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">in the Company's Financial Statements (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All the Companies Included in the Financial Statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">in the Company's Financial Statements (Note 5)</th></tr>
<tr><th>Amount of Cash</th><th>Dollar Amount of Shares</th><th>Amount of Cash</th><th>Dollar Amount of Shares</th></tr>
<tr><td>Chief Executive Officer</td><td>Quintin Wu</td><td rowspan="2">5,049</td><td rowspan="2">5,049</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">6,242</td><td rowspan="2">6,242</td><td rowspan="2">112</td><td rowspan="2">0</td><td rowspan="2">112</td><td rowspan="2">0</td><td rowspan="2">1.033%</td><td rowspan="2">1.033%</td><td rowspan="2">22,232</td></tr>
<tr><td>General Manager</td><td>Wu, Pei-Chi</td></tr>
</table>

*Regardless of job titles, positions that are equivalent to general manager, deputy general manager (such as president, chief executive director and director) shall be disclosed.

## Range of remuneration

| Range of remuneration paid to the General Manager and Deputy General Managers of the Company | Names of General Manager or Deputy General Manager | |
|---|---|---|
| | The Company (Note 6) | The parent company and all investees (Note 7) E |
| Under NT$1,000,000 | | |
| NT$1,000,000 (inclusive)~NT$2,000,000 (exclusive) | | |
| NT$2,000,000 (inclusive)~NT$3,500,000 (exclusive) | | |
| NT$3,500,000 (inclusive) - NT$5,000,000 (exclusive) | Quintin Wu | |
| NT$5,000,000 (inclusive)～NT$10,000,000 (exclusive) | Wu, Pei-Chi | Wu, Pei-Chi |
| NT$10,000,000 (inclusive) - NT$15,000,000 (not inclusive) | | |
| NT$15,000,000 (inclusive) - NT$30,000,000 (not inclusive) | | Quintin Wu |
| NT$30,000,000 (inclusive) - NT$50,000,000 (not inclusive) | | |
| NT$50,000,000 (inclusive) - NT$100,000,000 (not inclusive) | | |
| Over NT$100,000,000 | | |
| Total | NT$11,403,000 | NT$33,635,000 |

Note 1: The names of the General Manager and Deputy General Manager shall be listed separately, and the amount of remuneration paid to them shall be disclosed collectively. If a Director concurrently serves as the General Manager or Deputy General Manager, his/her name and the amount of remuneration paid to him/her should be listed in this Table and Table (1-1) above or Tables (1-2-1) and (1-2-2).

Note 2: Fill the salary, job-related allowances and severance pay received by the General Manager and Deputy General Managers in the most recent fiscal year.

Note 3: Fill the amount of various bonuses, incentives, transportation allowances, special allowance, various allowances, accommodation, and vehicle received by the General Manager and Deputy General Managers in the most recent fiscal year. If housing, vehicle or other means of transportation, or personal expense is provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, please indicate the the amount of compensation paid to the driver by the Company, excluding remuneration, in a separate note. Furthermore, any compensation recognized in the IFRS 2 section of "Share-Based Payment," including issuance of employee stock options, new restricted employee shares and capital increase by stock subscription, shall be included in the calculation of remuneration. The Company provides a driver; the annual remuneration was NT$558,000, plus NT$23,000 for relevant fuel costs.

Note 4: Fill the amount of employee rewards (including shares and cash) that have been approved by the Board of Directors and are distributed to the General Manager and Deputy General Manager in the most recent fiscal year. If the amount of rewards cannot be estimated, the amount of rewards in the current fiscal year shall be calculated based on the ratio of the amount of rewards distributed in the previous fiscal year, and this amount shall also be filled in Table 1-3.

Note 5: The total amount of the remuneration of all the companies (including the Company) in the consolidated report to the General Manager and Deputy General Managers of the Company shall be disclosed.

Note 6: The name of each General Manager and Deputy General Manager should be disclosed in the range of remuneration corresponding to the amount paid to the General Manager and Deputy General Manager by the Company.

Note 7: The total amount of all the remuneration paid to each general manager and deputy general manager of the company by all the companies (including the company) listed in its consolidated financial statements should be disclosed. The name of each general manager and deputy general manager should be disclosed in the range of remuneration corresponding to the total amount mentioned in the preceding sentence.

Note 8: Net income after tax refers to net income after tax listed in the parent company only or individual financial statements in the most recent year.

Note 9: a. This field should clearly indicate the amount of remuneration received by the Company's general manager or vice general manager from a reinvestment business other than a subsidiary or the parent company (if not, please fill in “none”).

b. If the General Manager or Deputy General Managers of the Company receive remuneration from investees other than subsidiaries or the parent company, the remuneration received by the General Manager or Deputy General Managers of the Company from investees other than subsidiaries or the parent company shall be included in Column E in the Range of Remuneration Table, and the column shall be renamed "Parent Company and All Investees."

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the General Managers and Deputy General Managers serving as a director, supervisor or manager of an investee company or parent company of the Company other than subsidiaries.

*The content of compensation disclosed in this table is derived based on a concept different from the concept of income stipulated in the Income Tax Act. The purpose of the table is for the disclosure of information, instead of taxation.

4. The remuneration of the top five executives with the highest remuneration at a listed company (name and remuneration shall be disclosed individually): Not applicable.

5. Name of managerial officers who distribute employee bonuses and the situation of distribution
Collective disclosure

Unit: NT$ thousand

| | Title (Note 1) | Name (Note 1) | Dollar Amount of Shares | Amount of Cash | Total | Percentage of total remuneration on NIAT (%) |
|---|---|---|---|---|---|---|
| Managers | Chief Executive Officer | Quintin Wu | 0 | 448 | 448 | 0.04% |
| | General Manager | Wu, Pei-Chi | | | | |
| | Assistant VP of Sales Department | Wu, Ming-Tsung | | | | |
| | Director of Linyuan Plant | Chen, Chun-Hung | | | | |
| | Corporate Governance Officer. | Chen, Yung-Chih | | | | |
| | Accounting Manager | Chen, Cheng-Shun | | | | |
| | Finance Manager | Shih, Ju-Hsuan | | | | |
| | Sales Manager | Huang, Ko-Ming | | | | |

Note 1: Names and positions should be listed individually, and the amount of profit distributed should be disclosed collectively.

Note 2: Refers to compensations paid to the Managers (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year. Net profit refers to the after-tax net income for the most recent fiscal year; for those that have already adopted the IFRS principles, net profit refers to the after-tax net income in individual or consolidated financial reports for the most recent fiscal year.

Note 3: The scope of application for the term "managerial officer" shall follow the official document with reference number 0920001301 dated March 27th, 2003. Its scope of application shall be as follows:
(1) General Manager and its equivalent
(2) Deputy General Manager and its equivalent
(3) Senior Manager and its equivalent
(4) Head of the Finance Department
(5) Head of the Accounting Department
(6) Other Personnel Authorized to Manage the Company's Affairs and Sign for Approval

Note 4: Directors, General Manager, and Deputy General Manager who receive employee compensation (including shares and cash) shall be listed not only in Table 1-2, but also in this table.

(II) Separate comparison and description of total remuneration, as a percentage of net income stated in the parent company-only or individual financial statements, as paid by the Company and all other companies included in the consolidated financial statements during the past 2 fiscal years to Directors, supervisors, General Manager, and Deputy General Managers, with analysis and description of remuneration policies, standards, and packages, procedure for determining remuneration, and the correlation with business performance and future risks.

1. Analysis of total remuneration paid to general Directors, Independent Directors, General Manager, and Deputy General Managers as a percentage of NIAT:

| Year / Category | 2020 | | 2019 | |
|---|---|---|---|---|
| | The Company | In the Company's Financial Statements | The Company | In the Company's Financial Statements |
| General Directors' remuneration as a percentage of NIAT (%) (excluding the remuneration to those who work as employees concurrently) | 0.084% | 0.084% | 0.178% | 0.178% |
| Independent Directors' remuneration as a percentage of NIAT (%) (excluding the remuneration to those who work as employees concurrently) | 0.375% | 0.375% | 0.504% | 0.504% |
| General Directors' remuneration as a percentage of NIAT (%) (including the remuneration to those who work as employees concurrently) | 1.117% | 1.117% | 1.332% | 1.332% |
| Independent Directors' remuneration as a percentage of NIAT (%) (including the remuneration to those who work as employees concurrently) | 0.375% | 0.375% | 0.504% | 0.504% |
| General Manager and Deputy General Manager's remuneration as a percentage of NIAT (%) | 1.033% | 1.033% | 1.153% | 1.153% |

2. Remuneration Policies, Standards and Packages, Procedures for Determining Remuneration and Correlation of Remuneration with Business Performance and Future Risks:

(1) The remuneration of Directors shall be in accordance with Article 15-1 of the Articles of Incorporation, which states that "regardless of the Company's operating profit and loss, it shall be handled in accordance with the value of their participation in and contribution to the operation of the Company and taking into consideration the domestic industry level"; The remuneration shall not exceed 1% of the profit in the current year according to Article 18 of the Articles of Incorporation. The above remuneration is agreed upon by taking into consideration the Company's operating performance and the performance evaluation results of the Directors. In addition, the Company shall pay the traffic allowance in accordance with the resolution of the shareholders' meeting, but the manager of the Company who concurrently serves as the director shall not receive the traffic allowance. Among them, the aspects of directors' regular evaluation include the mastery of the Company's objectives and tasks, directors' cognition of their responsibilities, their participation in the Company's operation, internal relationship management and communication, directors' professionalism and continuous learning, and internal control.

(2) The manager's remuneration shall be handled in accordance with the relevant personnel regulations of the Company, and shall be determined by considering the operating performance. Among them, business performance includes financial aspects (operating income, operating profits and net profit before tax), customer aspects, product aspects, talent aspects, safety aspects and project aspects.

(3) The correlation with the Company's business performance and future risk exposure: The Remuneration Committee references the Company's overall business performance, outlook of the industry, business risks, and development trends and evaluates the performance targets of the Company's Directors and managerial officers to establish the content and amount of their remuneration individually. The Committee forms recommendations and submits them to the Board of Directors for passage. In addition, the remuneration system of Directors and managers should be reviewed at any time according to the actual operating conditions and relevant laws and regulations, and the Directors and managers should not be guided to pursue remuneration and engage in behaviors beyond the company's risk appetite.

# IV. Implementation of Corporate Governance

## Implementation by the Board of Directors

A total of 6 (A) meetings of the Board of Directors were held in 2020. The attendance of Directors was as follows:

| Title | Name (Note 1) | 1st Meeting in 2020 March 5, 2020 | 2nd Meeting in 2020 May 14, 2020 | 3rd Meeting in 2020 June 30, 2020 | 4th Meeting in 2020 August 12, 2020 | 5th Meeting in 2020 November 3, 2020 | 6th Meeting in 2020 December 23, 2020 | Number of Attendance In Person (B) | Number of Attendance by Proxy | Actual attendance rate (%) (B/A) (Note 2) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Chairman of the Board | Quintin Wu (Representative of Union Polymer Int'l Investment Corp.) | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | 6 | 0 | 100 | Reelected |
| Directors | Li, Kuo-Hung (representative of Union Polymer Int'l Investment Corp.) | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | 6 | 0 | 100 | Reelected |
| Director and General Manager | Wu, Pei-Chi (Representative of Union Polymer Int'l Investment Corp.) | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | 6 | 0 | 100 | Reelected |
| Directors | Liu, Han-Tai (representative of Union Polymer Int'l Investment Corp.) | - | - | - | - | ◎ | ◎ | 2 | 0 | 100 | Newly elected, required to attend 2 meetings |
| Directors | Wu, Hung-Chu (Representative of Union Polymer Int'l Investment Corp.) | ◎ | ◎ | ☆ | ◎ | ◎ | ◎ | 5 | 1 | 83.33 | Reelected |
| Directors | Ko, I-Shao (representative of Taiwan Union International Investment Corp.) | ◎ | ◎ | ◎ | ☆ | ◎ | ◎ | 5 | 1 | 83.33 | Reelected |
| Independent Directors | Chen, Ta-Hsiung | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | 6 | 0 | 100 | Reelected |
| Independent Directors | Shen, Shang-Hung | ☆ | ◎ | ◎ | ◎ | ◎ | ◎ | 5 | 1 | 83.33 | Reelected |
| Independent Directors | Cheng, Tun-Chien | ◎ | ◎ | ◎ | ◎ | ◎ | ◎ | 6 | 0 | 100 | Reelected |
| Directors | Liu, Chen-Tu (representative of Union Polymer Int'l Investment Corp.) | ◎ | ◎ | ◎ | ◎ | - | - | 4 | 0 | 100 | Existing, required to attend four meetings |

Note: Attendance in person: ◎; attendance by proxy: ☆.

Note: Corporate shareholder Union Polymer International Investment Corporation appointed Mr. Liu, Han-Tai as its representative to serve as director in place of Mr. Liu, Zhen-Tu on September 1, 2020.

Other matters to be noted:

I. If any of the following applies to the operations of the Board of Directors, the date and session of the Board of Directors' Meeting, as well as the resolutions, opinions of independent directors and the company's actions in response to the opinions of independent directors should be stated.

(I) Items listed in Article 14-3 of the Securities and Exchange Act.

| Term of the Board meeting Date | Resolution and Subsequent Actions | Items specified in Article 14-3 of the Securities and Exchange Act | Objections or expressed reservations expressed by Independent Directors |
|---|---|---|---|
| 1st meeting of 2020 2020.03.05 | 1. Approved capital increase by retained earnings. | Yes | None |
| | 2. Approved the amendment of certain articles in the Regulations Governing the Making of Endorsements/Guarantees. | Yes | None |
| | 3. Approved the amendment to certain articles of the Procedures for Loaning of Funds to Others | Yes | None |
| | 4. Approved CPAs' remuneration for 2019 | Yes | None |
| | 5. Approved the appointment of CPAs for 2020. | Yes | None |
| | Opinions of independent directors: None. | | |
| | The Company's actions in response to the opinions of independent directors: None. | | |
| | Voting results: All the directors present voted in favor of the resolution without any dissenting opinion. | | |
| 2nd meeting of 2020 2020.05.14 | Approved the amendment to the internal control system | Yes | None |
| | Opinions of independent directors: None. | | |
| | The Company's actions in response to the opinions of independent directors: None. | | |
| | Voting results: All the directors present voted in favor of the resolution without any dissenting opinion. | | |
| 4th meeting of 2020 2020.08.12 | 1. Approved the amendment to the "Rules of Procedure for Board of Directors' Meetings". | Yes | None |
| | 2. Approved the amendment to the "Rules on the Scope of Duties of Independent Directors". | Yes | None |
| | 3. Approved the amendment to certain articles of the Remuneration Policy and Regulations for Directors and Managerial Officers | Yes | None |
| | 4. Approved the amendment to the Procedures for Handling Material Inside Information. | Yes | None |
| | 5. Approved to establish a joint venture sales company in China through its subsidiary APC (BVI) Holding Co., Ltd. | Yes | None |
| | Opinions of independent directors: None. | | |
| | The Company's actions in response to the opinions of independent directors: None. | | |
| | Voting results: All the directors present voted in favor of the resolution without any dissenting opinion. | | |
| 5th meeting of 2020 2020.11.03 | Approved CPAs' remuneration for 2020 | Yes | None |
| | Opinions of independent directors: None. | | |
| | The Company's actions in response to the opinions of independent directors: None. | | |
| | Voting results: All the directors present voted in favor of the resolution without any dissenting opinion. | | |
| 6th Meeting in 2020 2020.12.23 | Establishment of the Risk Management Policies and Procedures | Yes | None |
| | Opinions of independent directors: None. | | |
| | The Company's actions in response to the opinions of independent directors: None. | | |
| | Voting results: All the directors present voted in favor of the resolution without any dissenting opinion. | | |

(II) Other than the matters mentioned above, other resolutions with objections or reservations from the Independent Directors and are documented or stated: None.

II. In regards to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the proposal, reasons for recusal due to conflict of interests and voting outcomes should be stated:

<table>
<tr><th>Names of Director</th><th>Resolutions</th><th>Reason for Refusal</th><th>Voting results</th><th>Remarks</th></tr>
<tr><td>Shen, Shang-Hung<br>Cheng, Tun-Chien<br>Wu, Pei-Chi</td><td>Removal of the non-compete clause for Directors.</td><td rowspan="2">The recused Director is the subject in the removal of the non-compete clause.</td><td rowspan="3">They did not participate in voting.</td><td rowspan="3">1st meeting of 2020<br>2020.03.05</td></tr>
<tr><td>Wu, Pei-Chi</td><td>Permitted managerial officers of the Company to engage in competitions.</td></tr>
<tr><td>Quintin Wu<br>Wu, Pei-Chi</td><td>Donations to the USI Education Foundation</td><td>They recused themselves due to conflict of interest as they serve as Directors of the foundation.</td></tr>
</table>

III. The company listed on TWSE shall disclose the evaluation cycle and duration, scope of evaluation, methodology, and evaluation contents of the evaluation of the Board of Directors.

Evaluation of the Board of Directors' performance for 2020

<table>
<tr><th>Evaluation cycle (Note 1)</th><th>Period of Evaluation (Note 2)</th><th>Scope (Note 3)</th><th>Method (Note 4)</th><th>Evaluation Contents (Note 5)</th></tr>
<tr><td rowspan="3">Once every year</td><td rowspan="3">January 1, 2020 to December 31, 2020</td><td>Performance Evaluation of the Board of Directors</td><td>Self-evaluation of the Board of Directors</td><td>I. Performance Evaluation of the Board of Directors<br>1. Level of participation in corporate operations.<br>2. Improvement of the quality of the Board of Directors' decision making.<br>3. Composition and structure of the Board of Directors.<br>4. The election of the Directors and their continuing professional education.<br>5. Internal control.</td></tr>
<tr><td>Performance evaluation of individual directors</td><td>Self evaluation of board members</td><td>II. Self performance evaluation of board members<br>1. Mastery of company goals and tasks.<br>2. Understanding of the director's roles and responsibilities<br>3. The degree of participation in the operation of the Company.<br>4. Management and communication of the internal relations<br>5. Expertise and continuing education of the directors<br>6. Internal control</td></tr>
<tr><td>Performance evaluation of</td><td>Self-evaluation of the</td><td>III. Audit Committee Performance Evaluation<br>1. Level of participation in corporate</td></tr>
</table>

| | | | | |
|---|---|---|---|---|
| | | functional committees | members of functional committees | operations.<br>2. Understanding of the Audit Committee's duties.<br>3. Improvement of the quality of the Audit Committee' decision making.<br>4. Composition of the Audit Committee and selection of committee members.<br>5. Internal control. |
| | | | | IV. Remuneration Committee Performance Evaluation<br>1. Level of participation in corporate operations.<br>2. Understanding of the Remuneration Committee's duties.<br>3. Improvement of the decision-making quality of the Remuneration Committee.<br>4. Composition of the Remuneration Committee and selection of committee members. |

※ The results of performance evaluation for the Board of Directors and functional committees for 2020 have been reported to the 1st meeting of the Board of Directors in 2021 (March 5, 2021) and disclosed on the Company's website.

Note 1: Fill out the evaluation cycle for the evaluation of the Board of Directors such as once every year.
Note 2: Fill in the period covered by the evaluation of the Board of Directors. For example, the performance evaluation of the Board of Directors from January 1, 2020 to December 31, 2020.
Note 3: The scope of evaluation covers the evaluation of the performance of the Board of Directors, individual Directors, and functional committees.
Note 4: Methods of evaluations include the self-evaluation of the board, self-evaluation by individual board members, peer evaluation, and evaluation by appointed external professional institutions, experts, or other appropriate methods.
Note 5: The contents of the evaluation shall include at least the following items:

(1) Performance evaluation of the Board of Directors: The evaluation shall include at least the "participation in the operations of the Company", "improvement of the quality of the Board of Directors' decision making", "composition and structure of the Board of Directors", "election and continuing education of the Directors", "and "internal control".
(2) Performance evaluation of individual Directors: The evaluation shall include at least the "familiarity with the goals and missions of the Company", "knowledge of the duties of Directors", "degree of participation in the Company's operations", "management of internal relations and communication", "professional and continuous education of Directors", and "internal control".
(3) Performance evaluation of functional committees: It shall include the degree of participation in the Company's operations, the understanding of the functional committee's responsibilities, the quality of decision-making of the functional committee, the composition and selection of members of the functional committee, and internal control.

IV. Targets for strengthening the functions of the Board of Directors in the current fiscal year and the most recent fiscal year (e.g. establishing an audit committee and enhancing information transparency) and evaluation of implementation:

1. The operations of the Board of Directors of the Company are exercised in accordance with the provisions of the laws and regulations, the Articles of Incorporation, and the resolutions of the shareholders' meetings. All Directors, in addition to the professional knowledge and skills necessary to perform their duties, should strive for the best shareholder interests based on the principles of loyalty and integrity.
2. The Company constantly pays attention to changes in laws and regulations of the competent authority, reviews its Rules of Procedure for Board of Directors' Meetings and the Rules Governing the Scope of Powers of Independent Directors, evaluates its Audit Committee Charter and Remuneration Committee Charter in due course. The Company seeks to improve information transparency in accordance with the amended laws, and the implementation of these regulations has been effective.
3. To have a corporate governance officer to safeguard shareholders' interests and to strengthen the functions of the Board of Directors, the Board of Directors engaged a corporate governance office to support operations of the Board on May 9, 2019.
4. The Company has formed functional committees such as the Remuneration Committee and the Audit Committee in 2011 and 2016, and has continued to improve their performance.
5. The Company's website and MOPS have disclosed relevant information regarding the Company's internal rules and major resolutions adopted by the Board of Directors, so as to facilitate shareholders's understanding of the development and to improve its information transparency.
6. The Company organizes 6 hours training courses for Directors and encourages Directors to attend corporate governance-related courses organized by external institutions.

The status of continuing education among the Directors and managerial officers of the Company for 2020 is as follows:

| Title | Name | Date of Training | Organizer | Course Title | Number of Hours |
|---|---|---|---|---|---|
| Chairman of the Board | Quintin Wu | July 9, 2020 | Securities and Futures Institute | Business Strategy and Corporate Governance in Response to the World's Unsustainable Risks from the Perspective of COVID-19 | 3 |
| | | October 13, 2020 | Securities and Futures Institute | Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance | 3 |

| Title | Name | Date of Training | Organizer | Course Title | Number of Hours |
|---|---|---|---|---|---|
| Directors | Li, Kuo-Hung | July 9, 2020 | Securities and Futures Institute | Business Strategy and Corporate Governance in Response to the World's Unsustainable Risks from the Perspective of COVID-19 | 3 |
| | | September 3, 2020 | Securities and Futures Institute | 2020 Advocacy Conference on Prevention of Insider Trading and Insider Equity Transaction | 3 |
| | | October 13, 2020 | Securities and Futures Institute | Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance | 3 |
| Director and General Manager | Wu, Pei-Chi | July 9, 2020 | Securities and Futures Institute | Business Strategy and Corporate Governance in Response to the World's Unsustainable Risks from the Perspective of COVID-19 | 3 |
| | | October 13, 2020 | Securities and Futures Institute | Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance | 3 |
| Directors | Liu, Zhen-Tu | July 9, 2020 | Securities and Futures Institute | Business Strategy and Corporate Governance in Response to the World's Unsustainable Risks from the Perspective of COVID-19 | 3 |
| | | October 13, 2020 | Securities and Futures Institute | Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance | 3 |
| Directors | Wu, Hung-Chu | July 9, 2020 | Securities and Futures Institute | Business Strategy and Corporate Governance in Response to the World's Unsustainable Risks from the Perspective of COVID-19 | 3 |
| | | October 13, 2020 | Securities and Futures Institute | Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance | 3 |
| Directors | Ko, I-Shao | October 22, 2020 | Taiwan Corporate Governance Association | Case study of HP vs. Quanta Storage on Antitrust Law | 3 |
| | | November 16, 2020 | Taiwan Stock Exchange Corporation | 2020 Promotions of Board Supervision on Corporate Governance and Ethical Corporate Management | 3 |
| Independent Directors | Chen, Ta-Hsiung | July 9, 2020 | Securities and Futures Institute | Business Strategy and Corporate Governance in Response to the World's Unsustainable Risks from the Perspective of COVID-19 | 3 |
| | | September 22, 2020 | Taiwan Stock Exchange Corporation | "Corporate Governance 3.0 - Sustainable Development Roadmap" Summit | 3 |
| | | September 24, 2020 | Securities and Futures Institute | 2020 Advocacy Conference on Prevention of Insider Trading and Insider Equity Transaction | 3 |

| Title | Name | Date of Training | Organizer | Course Title | Number of Hours |
|---|---|---|---|---|---|
| | | October 13, 2020 | Securities and Futures Institute | Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance | 3 |
| Independent Directors | Shen, Shang-Hung | July 7, 2020 | Taiwan Corporate Governance Association | Tax Law and Practice of Corporate Operation and Investment | 3 |
| | | August 18, 2020 | Taiwan Corporate Governance Association | Reconstructing Information Security with Digital Forensics | 3 |
| Independent Directors | Cheng, Tun-Chien | June 18, 2020 | Taiwan Corporate Governance Association | Transformation in 5G Era: Industrial Upgrade, Future Business Application and 0-Touch Economy | 3 |
| | | July 31, 2020 | Taiwan Corporate Governance Association | Major Trends of Corporate Social Responsibility and Sustainable Governance | 3 |
| Directors | Liu, Zhen-Tu | June 23, 2020 | Taiwan Corporate Governance Association | Issues that directors and supervisors need to consider in risk management, corporate sustainability and ESG after the impact of the epidemic | 1 |
| | | July 9, 2020 | Securities and Futures Institute | Business Strategy and Corporate Governance in Response to the World's Unsustainable Risks from the Perspective of COVID-19 | 3 |
| | | August 25, 2020 | Taiwan Corporate Governance Association | Collapse of corporate governance and its influence based on the Datong case | 1 |
| | | October 13, 2020 | Securities and Futures Institute | Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance | 3 |
| | | October 29, 2020 | Taiwan Corporate Governance Association | The struggle for the right to operate companies: what did the Supreme Court say? | 1 |
| | | December 2, 2020 | Taiwan Corporate Governance Association | The 16th Corporate Governance Summit Forum - Advancing Corporate Governance | 6 |
| | | December 31, 2020 | Taiwan Corporate Governance Association | Companies’ strategies for making good use of capital markets nowadays | 1 |
| Corporate Governance Officer. | Chen, Yung-Chih | July 9, 2020 | Securities and Futures Institute | Business Strategy and Corporate Governance in Response to the World's Unsustainable Risks from the Perspective of COVID-19 | 3 |
| | | August 19, 2020 | Securities and Futures Institute | Understanding Commodities Derivative Transactions and Seminar on Sound Operations of Corporate Sustainable Management Practices | 3 |
| | | September 24, 2020 | Taiwan Stock Exchange Corporation | "Corporate Governance 3.0 - Sustainable Development Roadmap" Summit | 3 |

| Title | Name | Date of Training | Organizer | Course Title | Number of Hours |
|---|---|---|---|---|---|
| | | September 30, 2020 | Securities and Futures Institute | 2020 Advocacy Conference on Prevention of Insider Trading and Insider Equity Transaction | 3 |
| | | October 13, 2020 | Securities and Futures Institute | Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance | 3 |
| | | October 23, 2020 | Taiwan Stock Exchange Corporation | 2020 Promotions of Board Supervision on Corporate Governance and Ethical Corporate Management | 3 |
| Accounting Manager | Chen, Cheng-Shun | July 9, 2020 | Securities and Futures Institute | Business Strategy and Corporate Governance in Response to the World's Unsustainable Risks from the Perspective of COVID-19 | 3 |
| | | July 22, 2020 | Organized by the Company | The Labor Laws and Regulations that Business Executives Should be Aware of | 3 |
| | | September 10, 2020 to September 11, 2020 | Accounting Research and Development Foundation | Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer (Accounting, Auditing, Finance, and Ethics) | 12 |
| | | September 16, 2020 | Organized by the Company | Introduction to Trademark and Patent Rights | 2 |
| | | October 13, 2020 | Securities and Futures Institute | Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance | 3 |
| Finance Manager | Shih, Ju-Hsuan | July 9, 2020 | Securities and Futures Institute | Business Strategy and Corporate Governance in Response to the World's Unsustainable Risks from the Perspective of COVID-19 | 3 |
| | | July 22, 2020 | Organized by the Company | The Labor Laws and Regulations that Business Executives Should be Aware of | 3 |
| | | August 5, 2020 | Organized by the Company | Leadership and Communication | 2 |
| | | September 9, 2020 to October 16, 2020 | Bloomberg News | Foreign Exchange Price Search Analysis, Foreign Exchange Market Economic Data Analysis | 9 |
| | | October 13, 2020 | Securities and Futures Institute | Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance | 3 |
| | | October 23, 2020 | Bloomberg News | Introduction to Interest Rate Market and Interest Rate Swap | 3 |
| | | October 28, 2020 | Bloomberg News | Market Concerns, Company Events, News | 3 |

| Title | Name | Date of Training | Organizer | Course Title | Number of Hours |
|---|---|---|---|---|---|
| Auditors | Lin, Chia-Huei | June 16, 2020 | Organized by the Company | Introduction to Occupational Safety and Health Act | 2 |
| | | July 23, 2020 | Organized by the Company | The Digital Transformation in the Post Pandemic Era | 3 |
| | | August 11, 2020 | Organized by the Company | Practical Cases of Insider Trading and Related Legal Liabilities | 3 |
| | | August 17, 2020 | The Institute of Internal Auditors, R.O.C. | How Internal Auditors Interpret Business Performance and Identify Risks from IFRS Financial Statements | 6 |
| | | September 10, 2020 | Organized by the Company | Popular Science of New Products: Introduction of Full Effect Heat Insulation Coating and Fireproof and Flame Resistant Materials | 2 |
| | | November 18, 2020 | Organized by the Company | Precision Presentation Communication Technique to Get the Boss to Buy | 3 |
| | | November 20, 2020 | Computer Audit Association | Analysis of Potential Fraud Events Based on System Data and Network Resources | 6 |

The number of learning hours, scope of learning, learning systems, arrangements and information on the abovementioned training sessions which comply with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies shall be disclosed.

Note 1: For legal person directors and supervisors, the name of the institutional shareholders and their representatives shall be disclosed.

Note 2: (1) Where directors or supervisors resign before the end of the year, the "remark" column shall be annotated with the date of resignation. Actual presence (attendance) rate (%) shall be calculated using the number of Directors’ Meetings convened and actual presence (attendance) during the term of service.

(2) Where Directors and Supervisors were re-elected before the end of the year, both the incoming and outgoing Directors and Supervisors shall be listed accordingly. The "remark" column shall be annotated to indicate whether the Director or Supervisor was outgoing, incoming, or re-elected as well as the date of re-election. The Director's rate of attendance in person (%) shall be calculated based on the number of Board of Directors' Meetings held and the attendance in person during his/her term of office.

(II) Information Regarding the Implementation of the Audit Committee or the Participation of Supervisors in the Operations of the Board of Directors

1. Operations of the Audit Committee:

(1) The duties and responsibilities as set out in Article 6 of the Company's Audit Committee Charter are as follows:

- Adoption or amendment of internal control systems in accordance with Article 14-1 of the Securities and Exchange Act
- Evaluation of the effectiveness of the internal control system.
- Pursuant to Article 36-1 of the Securities and Exchange Act, formulate or revise procedures for major financial business actions including the acquisition or disposal of assets, engaging in derivative trading, loaning of funds to others, making endorsement or guarantees for others
- Items involving the interests of directors.
- Major assets or derivative trading
- Major loaning of funds, making of endorsements or guarantees.
- Offering, issuance, or private placement of any equity securities.
- Appointment, dismissal, and compensation of CPAs.
- Appointment and dismissal of finance manager, accounting manager and chief internal auditor.
- Annual financial reports signed and sealed by the Chairman, a managerial officer, and the accounting manager.
- Accept and deal with whistleblowing cases in accordance with the functions listed in this article.
- Other important items required by other companies or the competent authority

(2) The Audit Committee met 6 times (A) in the most recent year. The attendance of Independent Directors was as follows:

| Title | Name | Number of Attendance in Person (B) | Number of Attendance by Proxy | Percentage of attendance in person (%) (B/A) (Note) | Remarks |
|---|---|---|---|---|---|
| Independent Directors | Shen, Shang-Hung | 5 | 1 | 83.33 | |
| Independent Directors | Chen, Ta-Hsiung | 6 | 0 | 100 | |
| Independent Directors | Cheng, Tun-Chien | 6 | 0 | 100 | |

(3) The key work items reviewed in the most recent year mainly included:

- Annual financial statements and earnings distribution proposal.
- Modification of the internal control system.
- Compensation to the CPAs.
- CPA appointment and the assessment of CPA independence.
- Assessment of the effectiveness of the internal control system.
- Audit plans.

Review the annual accounts and earnings distribution and issue an audit report.
Amended the internal control system, including "Procedures for Endorsement and Guarantees", "Procedures for Loaning Funds to Others", and "Procedures for Handling Material Corporate Information", and formulated the Risk Management Policy and Procedures.
Evaluate the effectiveness of the internal control system and make a statement of declaration on internal control system.

Other matters to be noted:

I. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

(I) Items listed in Article 14-5 of the Securities and Exchange Act

| Audit Committee | Resolution and Subsequent Actions | Items listed in Article 14-5 of the Securities and Exchange Act | Other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee |
|---|---|---|---|
| 4th meeting of the 2nd Audit Committee March 5, 2020 | 1. 2019 Account Book | Yes | None |
| | 2. 2019 earnings distribution proposal | Yes | None |
| | 3. Approved the issuance of new shares for capital increase from surplus. | Yes | None |
| | 6. Proposal for compensation paid to the CPAs for 2019 | Yes | None |
| | 5. Evaluation of the independence of appointed CPAs for 2020. | Yes | None |
| | 6. Appointment of the Company’s Certified Public Accountants for 2020. | Yes | None |
| | 7. For issuance of the internal control system statement in 2019 | Yes | None |

| Audit Committee | Resolution and Subsequent Actions | Items listed in Article 14-5 of the Securities and Exchange Act | Other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee |
|---|---|---|---|
| | 8. Amendment to the "Regulations Governing the Making of Endorsements/Guarantees". | Yes | None |
| | 9. Amendment to the Procedures for Loaning of Funds to Others | Yes | None |
| | 10. Removal of the non-compete clause for Director Shen, Shang-Hung | Yes | None |
| | 11. Removal of the non-compete clause for Directors Cheng, Tun-Chien and Chen, Yung-Chih | Yes | None |
| | 12. Approved the competing behavior of the Accounting Manager | Yes | None |
| | Audit Committee resolution:<br>1. Except for Cases 10 and 11: the Audit Committee unanimously agreed.<br>2. Cases 10 and 11: The Chair consulted all the directors present, except for independent director who had to recuse himself from voting due to conflict of interest, and they voted in favor of the resolution. | | |
| | The Company's response to the opinions of the Audit Committee:<br>1. Except for cases 10 and 11: Approved by the unanimous decision of the directors present at the Board meeting.<br>2. Cases 10 and 11: Except for the recusals, all directors present voted in favor. | | |
| 5th meeting of the 2nd Audit Committee May 14, 2020 | Amendment to the Company's internal control system. | Yes | None |
| | Audit Committee's resolution: All members in attendance unanimously passed the proposal and submitted it to the Board of Directors for discussion. | | |
| | The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | | |
| 7th meeting of the 2nd Audit Committee August 12, 2020 | 1. Established a joint venture sales company in China (Fujian Province) through the invested company in the third region | Yes | None |
| | 7. Amendment to the Procedures for Handling Material Inside Information | Yes | None |
| | Audit Committee's resolution: All members in attendance unanimously passed the proposal and submitted it to the Board of Directors for discussion. | | |
| | The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | | |
| 8th meeting of the 2nd Audit Committee November 3, 2020 | 1. Compensation paid to the CPAs for 2020 | Yes | None |
| | 2. Review of the 2021 Audit Plan | Yes | None |
| | Audit Committee Resolution: All members in attendance unanimously passed the proposals and submitted it to the Board of Directors for discussion. | | |
| | The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | | |

| Audit Committee | Resolution and Subsequent Actions | Items listed in Article 14-5 of the Securities and Exchange Act | Other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee |
|---|---|---|---|
| 9th meeting of the 2nd Audit Committee December 23, 2020 | Review of formulation of the Risk Management Policy and Procedures | Yes | None |
| | Audit Committee Resolution: All members in attendance unanimously passed the proposals and submitted it to the Board of Directors for discussion. | | |
| | The Company's actions in response to the opinions of the Audit Committee: All the directors present voted in favor of the resolution. | | |

(II) In addition to the aforementioned motions, other motions not passed by the Audit Committee but passed by at least two-thirds of the votes of the entirety of the Board of Directors: No such occurrences.

II. Any recusals of Independent Directors due to conflicts of interest, the name of the Independent Director, the content of proposal, the reason of recusal, and the participation in the voting shall be stated: Please refer to the above item.

III. Communications between independent directors and the head of internal audit and CPAs (material issues, methods and outcomes related to the Company's financial and business status shall be included).

(I) Not only does the Internal Audit Department submit audit reports to each independent director for review every month, but also the Head of Internal Audit reports major audit findings to each independent director in the Audit Committee every quarter.
Both the Company's Audit Committee and the Head of Internal Audit have maintained good communications.

Summary of communication between independent directors and internal Chief Audit Officer in 2020:

| Audit Committee | Key Communications Points | Suggestions and Results |
|---|---|---|
| 4th meeting of the 2nd Audit Committee March 5, 2020 | 1. Internal audit report for the 4th meeting of the 2nd Audit Committee.<br>2. Reviewed the 2019 Statement of Internal Control System. | No objections |
| 5th meeting of the 2nd Audit Committee May 14, 2020 | 1. Internal audit report for the 5th meeting of the 2nd Audit Committee.<br>2. Amended the standard book for the management of shareholder services in the internal control system in accordance with the amended "Standards for the Internal Control Systems of Shareholder Service Units" promulgated by the Taiwan Depository & Clearing Corporation. | No objections |

| | | |
|---|---|---|
| 6th meeting of the 2nd Audit Committee June 30, 2020 | Internal audit report for the 6th meeting of the 2nd Audit Committee. | No objections |
| 7th meeting of the 2nd Audit Committee August 12, 2020 | Internal audit report for the 7th meeting of the 2nd Audit Committee. | No objections |
| 8th meeting of the 2nd Audit Committee November 3, 2020 | 1. Internal audit report for the 8th meeting of the 2nd Audit Committee.<br>2. Review of the 2021 Internal Audit Plan | No objections |
| 9th meeting of the 2nd Audit Committee December 23, 2020 | Internal audit report for the 9th meeting of the 2nd Audit Committee. | No objections |

(II) CPAs compile information on the audit of the Company's consolidated financial statements (annual financial statements including parent company-only financial statements) and review of governance-related matters, and report them to the Audit Committee; In case of major anomalies, they may call a meeting at any time, in accordance with the Auditing Standards Bulletin No. 39 - Communication with Those Charged with Governance and the letter with the Ref No. Tai Tsai Cheng Liu Tzu 0930105373 issued by SFB on March 11, 2004.

Both the Company's Audit Committee and CPAs have maintained good communications.

Summary of communication between independent directors and CPAs in 2020:

| Audit Committee | Key Communications Points | Suggestions and Results |
|---|---|---|
| 4th meeting of the 2nd Audit Committee March 5, 2020 | 1. The CPAs' audit status and report on the 2019 Consolidated and Parent Company Only Financial Statements reports (including key audit matters (KAM)).<br>2. The CPAs and the members of the audit team have stated compliance to the No. 10 Statement on Professional Ethics Standards for ROC Accountants published by the ROC Certified Public Accountants Association and the Certified Public Accountant Act of the Republic of China and have not violated independence requirements.<br>3. The CPAs have discussed and communicated with attendees on the questions they raised with regard to major legal amendments and their impact. | No objections |
| 7th meeting of the 2nd Audit Committee August 12, 2020 | 1. CPAs' audit report for the consolidated financial statements for Q2 2020.<br>2. Discussion and communication of the queries between the CPA and the independent directors. | No objections |
| 8th meeting of the 2nd Audit Committee November 3, 2020 | 1. CPAs' audit report for the consolidated financial statements for Q3 2020.<br>2. Communication on the 2020 audit plan report and key audit matters in the audit report.<br>3. The CPAs have discussed and communicated with attendees on the questions they raised with regard to major legal amendments and their impact. | No objections |

Note:

* Where an independent director resigns before the end of the fiscal year, the Remark column shall be filled with the independent director's resignation date, whereas his/her percentage of attendance in person (%) shall be calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during his/her term of office.
* If Independent Directors are re-elected before the end of the fiscal year, incoming and outgoing independent directors shall be listed accordingly, and the Remark column shall indicate whether the status of an Independent Director is "outgoing," "incoming," or “re-elected”and the date of re-election. The rate of attendance in person (%) is calculated based on the number of meetings held by the Audit Committee and the actual number of meetings attended during the member's term of office.

2. Participation of supervisors in the operations of the Board of Directors:
   Not applicable as the Company has an Audit Committee that replaces the functions of supervisors.

## (III) Implementation of Corporate Governance, Discrepancies Between its Implementation and the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies, and Reasons for such Discrepancies

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Has the company formulated and disclosed its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies"? | V | | The Company has established its Corporate Governance Best Practice Principles and complied with the Corporate Governance Best Practice Principles for TWSE or TPEx Listed Companies to promote the implementation of corporate governance, and discloses such information on its own website. | No significant deviation |
| II. Shareholding Structure and Shareholders' Rights<br>(I) Has the company established internal operating procedures for handling matters related to shareholders' recommendations, doubts, disputes and lawsuits, and implemented them accordingly?<br>(II) Does the company maintain a list of major shareholders who have actual control over the company and persons who have ultimate control over the major shareholders?<br>(III) Has the company established and implemented risk control and firewall mechanisms among its affiliated companies?<br>(IV) Has the company formulated internal regulations that prohibit insiders of the company from trading securities using undisclosed information in the market? | V<br>V<br>V<br>V | | (I) The Company has appointed specific personnel to take change of such matters.<br>(II) The Company has maintained contact with its major shareholders and persons who have ultimate control over the major shareholders.<br>(III) The Company has established and implemented a system to supervise its subsidiaries.<br>(IV) The Company has formulated its Procedures for Ethical Management and Guidelines for Conduct, in which Article 14 stipulates the prevention of insider trading. | No significant deviation<br>No significant deviation<br>No significant deviation<br>No significant deviation |
| III. Composition and Responsibilities of the Board of Directors<br>(I) Has the Board of Directors drawn up policies on diversity of its members and implemented them? | V | | (I) According to Article 20 of the Company's Corporate Governance Best Practice Principles, diversity shall be considered in the composition of the Company's Board of Directors, and members of | No significant deviation |

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | the Board of Directors shall possess the knowledge, skills, and qualities required to perform their duties. To achieve the ideal goals of corporate governance, the Board of Directors shall possess the following abilities:<br>1. Ability to make sound business judgment.<br>2. Ability to conduct accounting and financial analysis.<br>3. Business management ability;<br>4. Crisis management ability;<br>5. Knowledge of the industry;<br>6. An understanding of international markets.<br>7. Leadership.<br>8. Decision-making ability.<br>In addition to the eight competencies above, the Company has also added two professional abilities, namely legal capability and environmental protection for the diversification of the board members by taking into consideration the growing importance of global issues concerning corporate governance and environmental protection at present. At present, existing members of the Board of Directors possess the knowledge, skills, and qualities required to perform their duties, and specialize in professional areas including accounting and finance, international markets, law and environmental protection.<br>The Company proposed the inclusion of a Director with professional legal experience for its board diversity goals. The role should be filled by an individual with an attorney's license who specializes in technology laws and practices to strengthen the protection of the Company's future patent rights. The Company also plans to include a Director who specializes in risk management to increase the Company's sustainability. To have Directors with legal, risk control, or other specialties on the Board | |

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>of Directors is the goal in Board diversity, which will further improve the functions of the Company's Board of Directors.<br>For details on the diversity of Board members, refer to the table below:
<table>
<tr><th rowspan="2">Names of Director</th><th rowspan="2">Gender</th><th colspan="10">Diversified Core Competences</th></tr>
<tr><th>Sound business judgments</th><th>Accounting and finance</th><th>Business management</th><th>Crisis management</th><th>Knowledge of the industry</th><th>Understanding of international markets</th><th>Leadership skills</th><th>Decision-making ability</th><th>Legal expertise</th><th>Environmental protection expertise</th></tr>
<tr><td>Quintin Wu</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Li, Kuo-Hung</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td></tr>
<tr><td>Wu, Pei-Chi</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Liu, Zhen-Tu</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Wu, Hung-Chu</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Ko, I-Shao</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
<tr><td>Chen, Ta-Hsiung</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td></td></tr>
<tr><td>Shen, Shang-Hung</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td>V</td></tr>
<tr><td>Cheng, Tun-Chien</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td></td><td></td></tr>
</table>
The Company's Directors with employee status accounted for 22% and Independent Directors with employee status 33%; all three Independent Directors have served for four years; five Directors are above 70 years old, one Director is between 61-69 years old, another two are among 51-60 years old, and the remaining one is under 50 years old.</td><td></td></tr>
<tr><td>(II) Has the Company voluntarily established functional committees other than the Remuneration Committee and Audit Committee that are established in accordance with the law?</td><td>V</td><td></td><td>(II) The Company has established a Remuneration Committee and an Audit Committee, and exercises its authority in accordance with its "Remuneration Committee Charter" and "Audit Committee Charter" with positive performance. The Company has voluntarily established a Corporate Social Responsibility Committee which exercises its authority in accordance with the Corporate Social Responsibility Committee Charter with favorable performance.</td><td>No significant deviation</td></tr>
<tr><td>(III) Has the company established and implemented methods for assessing the performance of the Board of Directors</td><td>V</td><td></td><td>(III) The Company has formulated rules and procedures for evaluating the performance of the Board of Directors and conducts it annually.</td><td>No significant deviation</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>and conducted performance evaluation annually? Does the Company submit results of assessments to the Board of directors and use results as the basis for the salary, remuneration, nomination and reappointment of individual Directors?</td><td></td><td></td><td>I. Performance evaluation results of the board of directors and individual members in 2020<br>1. In accordance with the "Regulations Governing the Evaluation of the Performance of the Board of Directors" amended and approved by the Board of Directors in November 2019, the Company plans to conduct the performance evaluation of the Board of Directors as a whole and individual Directors at the end of each year.<br>2. The performance assessment of the Board of Directors as a whole and individual directors is performed by the Secretariat of the Board using internal self-assessment. The results of the performance evaluation will be used as a reference for the Company's review and improvement, as well as for the remuneration of individual directors and their nomination and renewal.<br>3. The Company completed the performance assessment of the Board of Directors in January 2021 with an evaluation period from January 1, 2020 to December 31, 2020.<br>The below is the evaluation result:<br>(1) Overall performance of the Board of Directors
<table>
<tr><th>Aspect</th><th>Score (Note)</th><th>Evaluation results and supplementary notes</th></tr>
<tr><td>Participation in Company operations</td><td>4.67</td><td rowspan="3">1.According to the overall evaluation results of the board of directors, the average score of the five aspects is above 4.6, and the evaluation results are good.<br>2. In order to improve the risk control of the Company and enable the directors to evaluate and supervise the risks existing or potential to the company,</td></tr>
<tr><td>Improvement of the quality of the Board of Directors' decision making</td><td>5</td></tr>
<tr><td>Composition and structure of the</td><td>5</td></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td>Board of Directors</td><td></td><td rowspan="3">the board of directors adopted the "risk management policies and procedures" in December 2020, and the general manager or designated person provided the directors with the risk implementation of the company at least once a year so that they can understand the risks of the company, Then, it puts forward more specific suggestions on the company's operation strategy.</td></tr>
<tr><td>Election and continuous education of Directors</td><td>5</td></tr>
<tr><td>Internal control</td><td>5</td></tr>
</table>
Note: the evaluation score is expressed in the range of 0-5, and the full score is 5.<br>
(2) Performance of directors
<table>
<tr><th>Aspect</th><th>Score (Note)</th><th>Evaluation results</th></tr>
<tr><td>Mastery of company objectives and tasks</td><td>4.88</td><td rowspan="6">According to the self-evaluation results of the directors, the average score of the six aspects is above 4.6, and the overall evaluation result is good.</td></tr>
<tr><td>Understanding of the director's roles and responsibilities</td><td>4.95</td></tr>
<tr><td>Participation in Company operations</td><td>4.84</td></tr>
<tr><td>Internal relationship management and communicatio[n]</td><td>4.77</td></tr>
<tr><td>Expertise and continuing education of the directors</td><td>4.70</td></tr>
<tr><td>Internal control</td><td>4.67</td></tr>
</table>
Note: the evaluation score is expressed in the range of 0-5, and the full score is 5.
</td><td></td></tr>
</table>

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | 4. The results of the performance assessment of the Board of Directors as a whole and board members were reported to the Board of Directors meeting in the first quarter of 2021.<br><br>II. Performance evaluation results of functional committees in 2020<br>4. The Company completed the performance assessment of the Board of Directors in January 2021 with an evaluation period from January 1, 2020 to December 31, 2020. The below is the evaluation result:<br>(1) Audit Committee's performance | |

| Aspect | Score (Note) | Evaluation results |
|---|---|---|
| Participation in Company operations | 5 | According to the self-evaluation results of the committee members, the average score of the five major aspects is above 4.6, and the overall evaluation result is good. |
| Understanding of the duties of the Audit Committee. | 5 | |
| Improvement of the quality of the Audit Committee' decision making. | 5 | |
| Composition of the Audit Committee and selection of committee members. | 4.83 | |
| Internal control | 4.67 | |

Note: the evaluation score is expressed in the range of 0-5, and the full score is 5.

(2) Remuneration Committee's performance

| Aspect | Score (Note) | Evaluation results |
|---|---|---|
| Participation in Company operations | 4.33 | According to the self-evaluation results of the Remuneration Committee, the |
| Understanding of the Remuneration Committee's roles and responsibilities | 4.83 | |

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>(IV) Does the company regularly evaluate the independence of CPAs?</td><td>V</td><td></td><td><table><tr><td>Improvement in the Remuneration Committee's decision-making quality</td><td>4.89</td><td rowspan="2">average score of the four major aspects is above 4.3, and the overall evaluation result is good.</td></tr><tr><td>Composition and member selection of the Remuneration Committee</td><td>4.83</td></tr></table>Note: the evaluation score is expressed in the range of 0-5, and the full score is 5.<br>(IV) In accordance with Article 30 of the Corporate Governance Best Practice Principles, the Company shall assess the independence of CPAs regularly. The Company has approved the independent assessment standards as in Note 2 and the statement issued by the CPAs as in Note 3 at the Board of Directors meeting on March 5, 2021 (first meeting in 2021).</td><td>No significant deviation</td></tr>
<tr><td>IV. Has the TWSE/TPEx listed company designated an appropriate number of qualified corporate governance personnel and appointed a corporate governance officer responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information for operation, assisting directors and supervisors in following regulations, handling matters related to Board meetings and the shareholders' meetings in accordance with the regulations, preparing minutes for Board meetings and the shareholders' meetings, etc.)?</td><td>V</td><td></td><td>To protect the interests of the shareholders and strengthen the functions of the Board of Directors, the Company, following the resolution passed by the Board of Directors meeting on May 9th, 2019, appointed the legal affairs manager Chen, Yung-Chih as the Company's Corporate Governance Officer, the highest-ranking manager responsible for related corporate governance affairs. Mr. Chen, Yung-Chih has more than three years of experience in services as a manager of a public company's legal affairs unit. His main duties include related affairs of board meetings and shareholders' meetings, production of meeting minutes for board meetings and shareholders' meetings, assisting Directors in taking office and continuing education, providing data required by Directors to perform their duties, and assisting Directors in legal compliance.<br>Implementation key points in 2010 are as follows:<br>I. Assisted Directors in performing their duties, provide the necessary information, arrange continuing education for Directors, and process liability insurance policies.<br>1. The Corporate Governance Officer compiled the latest laws and regulations related to the business areas of the Company and</td><td>No significant deviation</td></tr>
</table>

| | | | | |
|---|---|---|---|---|
| | | | corporate governance, arranged discussions at the Board meetings and provided educational information to the Board members from time to time.<br>2. Assisted Directors, upon request, to understand the regulations for which compliance is required for the execution of their business.<br>3. Provided Directors with the necessary information of the Company. They are also provided with assistance for communicating and exchanging ideas with business managers.<br>4. Assisted Independent Directors in arranging meetings with the head of internal audit or CPAs when there is a need for Independent Directors to meet them in order to understand the Company's financial operations<br>5. Assisted the Company in arranging at least 6 hours of continuing education courses for members of the Board of Directors.<br>6. Verified that the Company has purchased the liability insurance for Directors and key persons" for members of the Board of Directors and reported to the Board of Directors.<br>II. Procedures for Board of Directors meetings and the shareholders’ meetings and compliance regarding confirmation of resolutions:<br>1. Produced meeting notices and agenda for the Board of Directors; reminded Directors to recuse themselves in advance for discussions on issues that require their recusal due to conflicts of interests; produced meeting minutes within the statutory time limit.<br>2. Registered the date of the shareholders' meeting in advance according to the law and prepared the meeting notice, handbook, and meeting minutes within the statutory time limit.<br>3. Confirm that the organization, resolution procedures, and meeting minutes of the Board of Directors and shareholders' meeting meet related regulations and the Corporate Governance Best Practice Principles.<br>4. Changed registration items.<br>III. Maintain relations with investors:<br>The Company’s website is updated from time to time to keep investors abreast of the Company’s financial, business, and corporate governance information in order to protect shareholders' rights and interests.<br>Continued education in 2020:<br>Pursuant to Article 24 of the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of | |

Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers," a listed company shall arrange continuing professional education for its corporate governance officer.
The Corporate Governance Officer shall receive at least 12 hours of continuing education each year, except for at least 18 hours within one year for the first term commencing from the date of his/her appointment.
In 2020, Mr. Chen, Yung-Chih, the corporate governance officer of the company, has completed 18 hours of further study after taking office. The details are as follows:

| Date of Training | Organizer | Course Title | Number of Hours | Total training hours during the year |
|---|---|---|---|---|
| July 9, 2020 | Securities and Futures Institute | Business strategy and corporate governance in response to the world's unsustainable risks from the perspective of COVID-19 | 3 | 18 |
| August 19, 2020 | Securities and Futures Institute | Understanding Commodities Derivative Transactions and Seminar on Sound Operations of Corporate Sustainable Management Practices | 3 | |
| September 24, 2020 | Taiwan Stock Exchange Corporation | "Corporate Governance 3.0 - Sustainable Development Roadmap" Summit | 3 | |
| September 30, 2020 | Securities and Futures Institute | 2020 Advocacy Conference on Prevention of Insider Trading and Insider Equity Transaction | 3 | |

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td><table>
<tr><td>October 13, 2020</td><td>Securities and Futures Institute</td><td>Strategies and Management of Enterprise Upgrade and Transformation: the Choice between M&A and Alliance</td><td>3</td><td rowspan="2"></td></tr>
<tr><td>October 23, 2020</td><td>Taiwan Stock Exchange Corporation</td><td>2020 Promotions of Board Supervision on Corporate Governance and Ethical Corporate Management</td><td>3</td></tr>
</table></td><td></td></tr>
<tr><td>V. Has the Company established channels of communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), dedicated a section of the Company's website for stakeholder affairs, and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?</td><td>V</td><td></td><td>The Company has set up a stakeholders' section under Corporate Social Responsibility on its website, which features contact information as channels of communication. We have also assigned dedicated personnel to take charge of the collection and disclosure of Company information and implemented a spokesperson system. Communication can be performed through interviews, telephone calls, or dedicated mailboxes. The communication with all stakeholders have been reported to the Board of Directors every year, and the communication channels, concerns and responses with stakeholders in 2019 have been reported to the Board of Directors on August 12, 2020.</td><td>No significant deviation</td></tr>
<tr><td>VI. Has the company commissioned a professional shareholder services agency to handle Shareholders' Meetings and other relevant affairs?</td><td></td><td>V</td><td>The Company takes charge of its own stockholder affairs and handles matters related to shareholders' meetings in accordance with the law.</td><td>The Company handles its own shares-related affairs to ensure quality and efficiency.</td></tr>
<tr><td>VII. Information Disclosure<br>(I) Has the company established a website to disclose information on financial operations and corporate</td><td>V</td><td></td><td>(I) The Company has set up a website and regularly discloses company information.</td><td>No significant deviation</td></tr>
</table>

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| governance?<br>(II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose Company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)? | V | | (II) The Company has designated dedicated personnel in charge of the collection and disclosure of company information and has implemented a spokesperson system. | No significant deviation |
| (III) Does the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline? | | V | (III) The Company has not announced and declared its annual financial report within two months after the end of the fiscal year but has announced and declared its quarterly financial reports, monthly revenue, and endorsement and guarantee information in advance of the specified period. | No significant deviation |
| VIII. Has the company provided important information to better understand the state of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, progress of training of directors and supervisors, risk management policy and implementation of risk impact standards, implementation of customer policies, and the company's purchase of liability insurance for its directors and supervisors)? | V | | (I) The Company provides its employees with comprehensive health care. In addition to the formulation of guidelines related to employee assistance services and gender equality in the workplace, the Company provides annual health checkups, sports and fitness equipment, organizes various outdoor recreational activities and talks on mental, emotional and spiritual health, purchases group insurance and issues LOHAS e-newsletters. Furthermore, the Company's employees have voluntarily set up the Employee Assistance Program Center (EAPC) to help their colleagues solve work, life and psychological problems.<br>(II) The Company has always been committed to the principle of equal opportunities, and recognizes the contribution of employees from different backgrounds. The Company adopts an open selection process and hires the right talent for the right position, instead of restricting employees' career development based on their race, gender, age, religion, nationality or political affiliation.<br>(III) The Company has appointed a spokesperson to answer various | No significant deviation |

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | types of questions raised by shareholders and serves as the bridge to connect the Company with its shareholders. Additionally, the Company maintains contact with its major shareholders.<br>(IV) The Company maintains a good relationship with major suppliers, and the supply status is normal.<br>(V) The Company maintains a good and stable relationship with its customers in order to generate profits.<br>(VI) The Company encourages its directors to participate in continuing education. In addition to providing its directors with various information on continuing education, the Company organizes such courses from time to time and invites its directors to attend courses related to corporate governance.<br>(VII) Purchase of liability insurance for the Company's Directors and Supervisors: The Group has purchased liability insurance for its Directors, Supervisors, and key employees. In 2020, the total amount of co-insurance was US$35 million and the insurance policy was for the period from May 1, 2020 to May 1, 2021. Relevant information can be obtained from MOPS. Matters related to liability insurance have been included in the Board of Directors' report on May 14, 2020.<br>(VIII) Implementation of risk management policies and risk measurement standards: The Company has established operating procedures and internal control systems and possesses clear rules and regulations on authorized limits. The Company also implements internal audit for risk control. The audit supervisor shall report the implementation to the board of directors at least quarterly, and the General Manager or his designated person shall report the implementation to the Board of Directors at least once a year. | |

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| IX. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved. (Leave this section blank if the company is not included in the evaluation process)<br>Parts that have been improved are as follows:<br>(Number 2.22) Formulate risk management policies and procedures, disclose risk management scope, organizational structure and operation, and report to the board of directors at least once a year.<br>(Number 2.22) Formulate an intellectual property management plan and report to the board of directors at least once a year.<br><br>Preferential enhancement items<br>(Number 3.5) The Company uploads the English version of the annual report 16 days before the shareholders' meeting. | | | | |

Note: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.

Note 2: CPA independence evaluation criteria

| Item | Evaluation results | Whether the CPA is independent |
|---|---|---|
| 1. As of the most recent assurance operation, no CPA has yet to be replaced for seven (7) years. | Yes | Yes |
| 2. The CPA does not have significant financial interest in his/her trustor. | Yes | Yes |
| 3. The CPA avoids any inappropriate relationship with his/her trustor. | Yes | Yes |
| 4. The CPA should ensure that his/her assistants are honest, fair and independent. | Yes | Yes |
| 5. The CPA may not perform audit and assurance services on the financial statements of companies he/she has served within two (2) years before practicing. | Yes | Yes |
| 6. The CPA may not permit others to practice under his/her name. | Yes | Yes |
| 7. The CPA does not own any shares of the Company and its affiliated companies. | Yes | Yes |
| 8. The CPA has not engaged in lending and borrowing of money with the Company and its affiliated companies. | Yes | Yes |
| 9. The CPA has not engaged in joint investments or benefit sharing with the Company or its affiliated companies. | Yes | Yes |
| 10. The CPA does not concurrently serve as a regular employee of the Company or its affiliated companies and does not receive a fixed salary from them. | Yes | Yes |
| 11. The CPA is not involved in the decision-making process of the Company and its affiliated companies. | Yes | Yes |
| 12. The CPA does not concurrently engage in other businesses that may lead to loss of independence. | Yes | Yes |
| 13. The CPA does not have a spouse, immediate family members or relatives within the second degree of kinship who serve in the senior management of the Company. | Yes | Yes |
| 14. The CPA has not collected any commission related to his/her service. | Yes | Yes |
| 15. As of now, the CPA has not engaged in any matter that may result in disciplinary actions taken against him/her or damage to the principle of independence. | Yes | Yes |

Note 3: Letter of Declaration issued by CPA

Referenced Letter Qin-Shen No. 11000965 dated February 5, 2021

Attn: Asia Polymer Corporation

Subject: The firm intends to accept the offer to audit your company's financial statements for 2021. In accordance with the No. 10 Bulletin-"Integrity, Objectivity and Independence" in the Norm of Professional Ethics for Certified Public Accountant of the Republic of China set forth by the National Federation of Certified Public Accountant Associations of the Republic of China, the members of the audit team declare that they have complied with the following regulations without committing violations of independence.

Note:

I. Members of the audit team and their spouses and dependents are not involved in the following:

   a. Directly or indirectly hold significant financial interests in your company

   b. Have business relations with your company or directors, supervisors and managerial officers at your company, where such relations may affect our independence

II. During the audit, members of the audit team, their spouses and dependents do not serve as directors, supervisors or managerial officers at your company or do not assume positions that may directly and significantly affect the auditing process.

III. Members of the audit team do not have spouses, immediate family members or relatives within the second degree of kinship who serve as directors, supervisors or managerial officers at your company.

IV. Members of the audit team have not received gifts or presents of significant value (where their values have not exceeded the general etiquette standards) from your company or directors, supervisors, managerial officers or major shareholders at your company.

V. Members of the audit team have performed the necessary procedures for evaluating independence or conflict of interests and have not been found to commit independence violations or be involved in unresolved conflicts of interest.

Deloitte, Taiwan

CPA Chiu, Cheng-Chun

(IV) If the company has established a remuneration committee, the composition and operations of the committee shall be disclosed:

1. Information regarding the members of the Remuneration Committee

| Title (Note 1) | terms / Name | Has more than five years of work experience and the following professional qualifications | | | Status of Independence (Note 2) | | | | | | | | | | Number of publicly listed companies in which the member concurrently serves as a remuneration committee member | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Serve as an instructor or higher positions in a private or public college or university in the field of business, law, finance, accounting, or other departments relevant to the business of the Company | Serve as a judge, prosecutor, lawyer, certified public accountant or other professional or technical specialists who have passed the relevant national examinations and successfully obtained certificates in professions necessary for the business of the Company | Work experience in business, law, finance, accounting or other areas relevant to the business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Independent Directors | Shen, Shang-Hung | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 2 | |
| Independent Directors | Chen, Ta-Hsiung | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Independent Directors | Cheng, Tun-Chien | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 | |

Note 1: For the job title, please identify whether the person is a Director, Independent Director or other.

Note 2: Insert "V" in the box if a member meets the following criteria during his/her term of office and two (2) years prior to the date elected.✓

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the company or any of its affiliates (however, if an independent director is engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in subparagraph (1) or persons listed in subparagraphs (2) and (3);

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (however, if an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (however, if the independent director is engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with this Act or local laws and regulations, this requirement shall not apply).

(7) Not a Director, Supervisor, or employee of a company or institution with the same chairperson of the board, president, or equivalent position, or a spouse thereof (this restriction does not apply to independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(8) Not a Director, Supervisor, manager, or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company (this restriction does not apply to specific companies or institutions if they hold more than 20% but less than 50% of the outstanding shares of the Company or independent directors in the Company, its parent company, subsidiaries, or subsidiaries of the same parent company which have been appointed in accordance with local laws or laws of the registered country).

(9) Not a professional individual, sole proprietorship, partnership, owner of a company or institution, partner, director, supervisor, managerial officer or spouse thereof that provides auditing service for Aurora or any of its affiliates, or provides commercial, legal, financial, or accounting service with cumulative remuneration less than NT$500,000 in the past two years. Provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

(10) Where none of the circumstances in the subparagraphs of Article 30 of the Company Act applies.

2. Responsibilities of the Remuneration Committee:

The Remuneration Committee shall exercise the care of a good administrator to faithfully fulfill the following functions and powers, and submit the recommendations to the Board of Directors for deliberation:

(1) Regularly review the Committee's charter and propose recommendations to amend it when necessary.

(2) Establishing and regularly reviewing the BOD and upper management's performance evaluation in conjunction with the remuneration policies, systems, standards, and structure.

(3) Regular evaluation and stipulation on the remuneration of directors and managers.

3. Operations of the Remuneration Committee:

(1) The Company's Remuneration Committee consists of three (3) members.

(2) This Remuneration Committee Term: July 5, 2019 to June 23, 2022 A total of 3 (A) Remuneration Committee meetings were held in 2020. The information and attendance of the members was as follows:

| Title | Name | Number of Attendance in Person (B) | Number of Attendance Proxy | Rate of Attendance in Person (%) [B/A] (Note) | Remarks |
|---|---|---|---|---|---|
| Convener | Shen, Shang-Hung | 2 | 1 | 66.67% | |
| Commissioner | Chen, Ta-Hsiung | 3 | 0 | 100% | |
| Commissioner | Cheng, Tun-Chien | 3 | 0 | 100% | |

Other matters to be noted:

I. If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, it should state the date of the Board Meeting, the term of the fiscal year, the content of the proposal, and resolution of the Board Meeting and the follow-up treatments (e.g., if the resolution of the Board Meeting states that the amount of remuneration is higher than that of the suggestions from the Remuneration Committee, the Board should specify the difference in number and the reason behind the resolution): Not applicable.

II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, and opinions of all members and the Company's handling of said opinions:

<table>
<tr><th>Remuneration Committee</th><th>Resolution and Subsequent Actions</th><th>Objections or Reservations Expressed by the Remuneration Committee</th></tr>
<tr><td rowspan="6">3rd meeting of 4th Remuneration Committee 2020.03.05</td><td>1. 2019 remuneration of directors and employees of the Company</td><td>None</td></tr>
<tr><td>2. The company's annual special bonus for managers in 2019.</td><td>None</td></tr>
<tr><td>3. Reviewed the remuneration of the Directors and managers and the performance evaluation system.</td><td>None</td></tr>
<tr><td colspan="2">Opinions of the Remuneration Committee: None.</td></tr>
<tr><td colspan="2">Resolution of the Remuneration Committee: All members in attendance unanimously passed the proposals and submitted them to the Board of Directors for discussion.</td></tr>
<tr><td colspan="2">The Company's actions in response to the opinions of the Remuneration Committee: All the Directors in attendance voted in favor of the resolution.</td></tr>
<tr><td rowspan="4">4th meeting of 4th Remuneration Committee 2020.08.12</td><td>Amendment to the "Remuneration Policy and Regulations for Directors and Managerial Officers".</td><td>None</td></tr>
<tr><td colspan="2">Opinions of the Remuneration Committee: None.</td></tr>
<tr><td colspan="2">Resolution of the Remuneration Committee: All members in attendance unanimously passed the proposals and submitted them to the Board of Directors for discussion.</td></tr>
<tr><td colspan="2">The Company's actions in response to the opinions of the Remuneration Committee: All the Directors in attendance voted in favor of the resolution.</td></tr>
<tr><td rowspan="5">5th meeting of 4th Remuneration Committee 2020.11.03</td><td>1. Amended certain articles of the "Remuneration Committee Charter."</td><td>None</td></tr>
<tr><td>2. Established the work plan of the Committee for 2021.</td><td>None</td></tr>
<tr><td colspan="2">Opinions of the Remuneration Committee: None.</td></tr>
<tr><td colspan="2">Resolution of the Remuneration Committee: All members in attendance unanimously passed the proposals and submitted them to the Board of Directors for discussion.</td></tr>
<tr><td colspan="2">The Company's actions in response to the opinions of the Remuneration Committee: All the Directors in attendance voted in favor of the resolution.</td></tr>
</table>

Note: 1. Where a member of the Remuneration Committee resigns before the end of the fiscal year, the Remark column shall be filled with the member's resignation date, whereas his/her rate of attendance in person (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

2. If members of the Remuneration Committee are re-elected before the end of the fiscal year, incoming and outgoing members shall be listed accordingly,

and the Remark column shall indicate whether the status of a member is "outgoing", "incoming" or "re-elected", and the date of re-election. The rate of attendance in person (%) is calculated based on the number of meetings held by the Remuneration Committee and the actual number of meetings attended during his/her term of office.

## (V) Fulfillment of Corporate Social Responsibility and Its Gaps with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies:

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td>I. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?<br>(Note 3)</td><td>V</td><td></td><td>(I) The company established the CSR Committee in 2015. In order to strengthen the corporate governance performance, the Board of Directors formulated the "articles of association of the CSR Committee on December 22, 2017 by upgrading the CSR Committee to a functional committee under the Board of Directors. The committee consists of four members, with Mr. Shen, Shang-Hung, an independent director, as the Chairman, General Manager Wu serves as the vice Chairman, and the other two members are Chairman Wu and independent director Cheng, Tun-Chien. Committed to corporate social responsibility policy negotiation, strategic planning and promotion and implementation of supervision plan.<br>(II) The Company issued the corporate social responsibility report for 2019 in June 2020, which can be downloaded from the Company's website - corporate social responsibility zone: (http:// www.apc.com.tw/CSR/zh-tw/CSR82.aspx)<br>Through the online questionnaire, we conducted a survey on the concerns of stakeholders and the department head evaluated the impact of the issues, determined the material issues of environment, society and corporate governance, and disclosed the management policy and implementation performance to the stakeholders in the corporate social responsibility report.<br>(III) In accordance with the materiality principle of environmental, social and corporate governance aspects, the Company has formulated relevant risk management policies or strategies for identifying the materiality issues from the results as follows:
<table>
<tr><th>Aspect</th><th>Material Issues</th><th>Relevant Risk Management Policies or Strategies</th></tr>
<tr><td rowspan="2">Environment</td><td>Raw material management</td><td>1. Improvement of raw material utilization efficiency<br>2. Material recovery and recycling</td></tr>
<tr><td>Climate change and energy management</td><td>1. Establishment of ISO 50001 energy management system<br>2. Energy efficiency improvement<br>3. Energy-related regulatory compliance<br>4. Climate change risk response</td></tr>
</table></td><td>Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies.</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td></td><td>Air pollution control</td><td>1. Inspection for leakage of equipment components<br>2. Air pollution emission improvement<br>3. Legal Compliance</td></tr>
<tr><td rowspan="2">Society</td><td>Talent recruitment and retention</td><td>Improve corporate identity.<br>1. Establish multiple talent recruitment channels to find talents with the same idea<br>2. Provide high quality salary and comprehensive welfare system</td></tr>
<tr><td>Occupational Safety and Health</td><td>Zero disaster policy for industrial safety:<br>1. Establishment of ISO 45001 occupational safety and health management system<br>2. Safety precautions for workers<br>3. Employee health management</td></tr>
<tr><td rowspan="2">Corporate governance</td><td>Economic performance</td><td>Establish the operation strategy of "stabilizing the supply of raw materials, strengthening market expansion and product R&D innovation".</td></tr>
<tr><td>Technology research and development</td><td>Niche products, high value product development, improve product quality and market competitiveness.</td></tr>
</table>
(IV) With a sound and ethical business philosophy, the Company actively promotes the implementation of risk management mechanism in order to ensure the stable operation and sustainable development of the Company, reduce the possible risks in operation, and formulate the "Risk Management Policy and Procedures" by the resolution of the Board of Directors in 2020. The top management is responsible for supervising the implementation and operation of each risk management unit, and regularly evaluates the risks every year, In accordance with the Company's overall operation policy, define all kinds of risks, establish a risk management mechanism of early identification, accurate measurement, effective supervision and strict control, and prevent possible losses within the acceptable risk range. Pay attention to the development of international and domestic risk
</td><td></td></tr>
</table>

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies |
| --- | --- | --- | --- | --- |
| | Yes | No | Summary (Note 2) | |
| | | | management systems at any time, review and improve this policy, and continuously adjust and improve the best risk management mode according to the changes of internal and external environment, so as to enhance the implementation effect of risk management of the Company and protect the interests of the Company, employees, shareholders and stakeholders. Report to the Audit Committee and the Board of Directors at least once a year on the operation of risk management in the current year, and disclose relevant information in the annual report and the Company's website. | |
| II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors? | V | | (II) The Company has established the Corporate Social Responsibility Committee, which is a functional committee under the Board of Directors. An Independent Director serves as the chief commissioner and the General Manager serves as the deputy chief commissioner. A secretary and three teams have been established under the Committee, namely the Project Secretary & Corporate Governance Team, Environmental Protection Team, and Social Relations Team, responsible for the establishment of the CSR strategy and guidelines according to the Company's vision of sustainable development. The Committee meets at least twice a year to report to the Board of Directors on CSR-related goals, performance of implementation of action plans, and implementation of CSR policies.<br>For the organizational structure of CSR Committee, the responsibilities of Project Secretary and working groups, please refer to page 11 of APC's 2019 CSR report, and the download link of the report is as follows: https://www.apc.com.tw/CSR/CSRFiles/Report/APC_ 2019_ CSR_ Report.pdf (Note 4)<br>On August 12, 2020, the Company will report to the Board of Directors the implementation results of the current year, including the results of stakeholder negotiation (including stakeholder identification, issues of concern, communication channels and response methods), the performance of major issues such as corporate governance, environmental protection and social relations, the revision of the Corporate Social Responsibility Best Practice Principles, and the external verification of the corporate social responsibility report. | Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies. |
| III. Environmental Issues | | | | Consistent with the |

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| (I) Has the company established an appropriate environmental management system based on the characteristics of the industry to which it belongs? | V | | (I) The Company established the ISO 14001 environmental management system in 1998 and obtained the latest version of the 2015 certificate on April 26, 2018 while establishing a good environmental protection framework for the Company and formulating environmental policies with energy conservation, carbon reduction, and air pollution improvement management plans. The occupational safety and health department conducts regular inspections and follow-ups to implement disaster prevention and air pollution prevention, while complying with the EU Restriction of Hazardous Substances (RoHS) regulations and strengthening environmental protection education and training to control and reduce impact on environment. In addition, on October 21, 2019, the Company passed the ISO 50001 energy management system verification and obtained the certificate, formally established the energy management system, controlled the major energy use equipment in the plant and monitored the energy use efficiency. | Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies. |
| (II) Is the company committed to improving the efficiency of utilizing various resources and using recycled materials with low impacts on the environment? | V | | (II) The Company attaches great importance to environmental protection, promotes clean production and green production process, sets energy conservation and waste reduction targets, enhances energy and resource utilization efficiency, and responds to circular economy activities to reduce environmental impact. The Company conducts regular inspection of plant equipment components to reduce VOCs leakage and actively carry out vinyl acetate (VAM) and space bag recycling to reduce the impact on the environment. In 2020, catalyst pump was replaced by new one, MRT vinyl acetate monomer (VAM) recycling efficiency was improved, and the recycling and reuse rate of space bag was 78.2%. | |
| (III) Has the company assessed the present and future potential risks and opportunities of climate change for the entity, and taken measures to respond to climate-related issues? | V | | (III) In recent years, the Company has actively implemented energy conservation and carbon reduction improvement plans, improved production efficiency, replaced old equipment with high efficiency energy-saving equipment, and spared no effort to seize any possible new business opportunities.<br>The Company adopted the method of Task Force on Climate-related Financial Disclosures (TCFD) to identify operational transformation risks and physical risks. In 2020, the five risk items and the four opportunity items with a high probability of occurrence were classified | |

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|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| | | | classified according to the time of occurrence, and we will review our response measures year by year to build a resilient climate change culture.<br>The results of the identification are shown in the table below: | |

| Type | Short term (< 3 years) | Medium term (3-5 years) | Long term (> 5 years) |
|---|---|---|---|
| Opportunities | Participation in renewable energy programs and adoption of energy conservation measures | • Energy substitution/ diversification<br>• Participation in the carbon trading market | Use of low-carbon energy sources |
| transition Risk | --- | • Increasing pricing of greenhouse gas emissions | Rising costs of raw materials |
| Physical Risks | --- | • Severe weather events such as typhoon and floods<br>• Changes in rainfall (water) patterns and extreme changes in climate patterns | Rising sea levels |

Potential financial impact analysis and countermeasures:

| Climate Related Items | Potential financial impacts | Response measures |
|---|---|---|
| Increasing pricing of greenhouse gas emissions | Increased operational costs | • Cooperate with the government incentive measures to plan investment or add green energy equipment<br>• Improve energy efficiency and reduce greenhouse gas |
| Severe weather events such as typhoon and floods | Increase in capital expenditure, decrease in asset value, and decrease in revenue | |

<table>
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<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><td>Changes in rainfall (water) patterns and extreme changes in climate patterns</td><td>Reduced revenue</td><td rowspan="7">emissions<br>• Implementation of water saving measures and improvement of process leakage<br>• Improve the use efficiency of raw materials<br>• Improve equipment availability and reduce unplanned shutdown and production conversion<br>• Exercise of disaster prevention and control measures such as typhoon prevention / flood control<br>• Technical feasibility evaluation of low carbon and alternative energy<br>• Pay attention to the government's relevant carbon rights trading information and decide whether to participate or not according to the actual implementation results of carbon reduction measures</td></tr>
<tr><td>Rising costs of raw materials</td><td>Increased operational costs</td></tr>
<tr><td>Rising sea levels</td><td>Increased capital expenditures</td></tr>
<tr><td>Participation in renewable energy programs and adoption of energy conservation measures</td><td>The setting cost is high in the early stage, and the operating cost is reduced year by year in the later stage</td></tr>
<tr><td>Participation in the carbon trading market</td><td>The cost of carbon reduction technology in the early stage is high, and the operating cost in the later stage is low</td></tr>
<tr><td>Energy substitution/diversification</td><td>The investment cost in the early stage is high, and the operation cost in the later stage is decreasing year by year</td></tr>
<tr><td>Use of low-carbon energy sources</td><td>High investment cost in the early stage, low carbon emission in the later stage and low operating cost</td></tr>
</table>
</td><td></td></tr>
<tr><td>(IV) Has the company calculated its GHG emissions, water consumption, and total waste weight in the past two years, and</td><td></td><td></td><td>(IV) Statistics of greenhouse gas emissions, water consumption, and total waste weight of the Company for 2020 and 2019 are as follows:</td><td></td></tr>
</table>

<table>
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<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td>formulated policies for energy conservation, reductions of carbon, GHG, and water consumption, or other waste management?</td><td>V</td><td></td><td>
<table>
<tr><td>Year</td><td>2019</td><td>2020</td></tr>
<tr><td>Greenhouse gas emissions (tons $CO_2e$)</td><td>114,598</td><td>106,415</td></tr>
<tr><td>Water consumption (metric tons)</td><td>525,131</td><td>554,964</td></tr>
<tr><td>Total weight of waste (metric tons)</td><td>157</td><td>204</td></tr>
</table>
The Company is not the first batch of businesses with fixed pollution sources that shall inspect and register their greenhouse gas emissions, but it still performs inspection of its greenhouse gas emissions voluntarily in accordance with the Environmental Protection Agency's "Greenhouse Gas Inspection and Registration Management Regulations" and identifies the inspection boundary using operation control method in order to learn the status of greenhouse gas emission in Linyuan plant area. The inspection is performed within the Linyuan Plant.<br>
The Company cooperates with ISO 50001 energy management system, formulates energy policy, set energy saving and emission reduction targets and plans every year, incorporates them into the energy management system to control the implementation progress, and uses PDCA method to analyze the causes of non- conformance and takes corrective measures.<br>
In 2020, the Company's energy saving and carbon reduction, water saving and waste management measures are as follows:<br>
(1) Energy saving and carbon reduction programs include: 7 management schemes, including Line 1/2 cold source recycling, Line 1/2 primary reflux power saving, Line 4 primary reflux power saving, soft water circulating pump (P-1419) power saving, process water pump (P-7101A/B/C) energy saving improvement, air compressor (C-7301b) frequency conversion energy saving via replacing the old with the new, and Taipower demand bidding, were implemented, with a total power saving of 2,441,718 kWh and carbon reduction of 1,243 tons of $CO_2e$.<br>
(2) Water saving measures: increase the concentration ratio of cooling water and cooperate with the government's water saving policy.<br>
(3) Waste management: inspection of waste treatment manufacturers.
</td><td></td></tr>
</table>

<table>
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<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td>IV. Social issues<br>(I) Has the company formulated the relevant management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?<br><br>(II) Does the company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance?<br><br>(III) Does the company provide a safe and healthy work environment to its employees, and regularly offer safety and health education to its employees?</td><td>V<br><br>V<br><br>V</td><td></td><td>(I) The Company has made reference to internationally recognized human rights standards, including the International Bill of Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work to fully exercise CSR and implement human rights protection. Besides, the Company has established human rights policy to eliminate human rights violations; as such, the Company's current employees, in addition to enjoying a reasonable and safe workplace, can be treated with in a reasonable and dignified manner.<br><br>(II) The Company has established the Remuneration Committee to regularly review its remuneration policies, and the rewards and punishments are connected with the year-end bonus so that the reward and punishment system can be clear and effective. Employee benefits include bonuses for three major festivals, and the year-end bonus is given according to the Company's profitability, employee's personal performance and the achievement rate of organizational goals.<br><br>(III) The Company has implemented education and training related to the ISO 45001 occupational safety and health management system, and has performed internal audit and management review In addition, it passed SGS verification in April 2019 and obtained ISO 45001 occupational safety and health management system certificate on April 26, 2019; the certificate is valid from April 23, 2019 to April 23 2022.<br>The occupational safety and health department and the unit in charge of work operations perform health audit and conduct daily inspection rounds for occupational safety so as to manage work environment safety and sanitation at the Linyuan Plant. The Company is also a member of the Taipei Responsible Care Association (TRCA) and Linyuan Industrial Park Safety and Health Promotion Association to hold fire drills and occupational safety education and training every year to cultivate employees' emergency response and safety self-management capabilities. The Company holds health checkups every year and equips its plants with qualified registered professional nurses to provide its</td><td>Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed Companies.</td></tr>
</table>

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| | | | employees with health care and medical assistance.<br>In 2020, the number of on-the-job safety and health education and training hours of employees in Linyuan Plant is 2,981 hours, the number of employees undergoing health examination is 4 batches, the total number of examinees in Linyuan Plant is 208, the contracted doctors provide health services in the factory for 6 times, and the health lectures are 2 sessions.<br>The Company's occupational safety and health management goal is "zero-accident occupational safety." Low occupational injury and low absentee rates are key indicators for evaluating employees' health and safety. The Linyuan Plant logged 4,405,232 hours of total hours worked without disabling injuries from October 14, 2010 to December 31, 2019, and it continues to maintain the records. | |
| (VI) Has the Company established effective career development and training plans for its employees? | V | | (IV) The Company has established an all-round education and training system in coordination with the external environment, its business principles, department performance goals, and employees' career development needs, in order to provide training courses required by all-round talents. With regard to the employees' continuing education and learning, the Company conducts the employee training needs survey in the fourth quarter of every year to formulate education and training plans and budgets. Meanwhile, the Company has also set up a digital learning platform as the means for self-learning, and regularly holds employee functional training, management training, seminars, health talks, and various conferences to enhance employees' professional and management skills, thereby balancing employees' physical and mental development. In order to improve employee quality and overall competitiveness, courses are conducted using diverse methods. In addition to lectures, in-class activities are designed according to course attributes, while case study discussions or group discussions are carried out with a view to making learning more lively and productive. Additionally, online e-learning courses allows the employees to effectively participate in learning activities anytime, anywhere, thereby enhancing their career development and overall work performance. | |

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|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |
| (V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer privacy, and marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?<br><br>(VI) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance? | V<br><br>V | | (V) The Company focuses on quality, capability, and environmental protection policies, cooperates with high-quality suppliers on a long-term basis to fulfill its corporate social responsibility, conveys environmental policies to contractors and carriers, complies with the EU's RoHS regulations, strengthens education and training on environmental protection, pays attention to suppliers' safety in the plant area, and ensures the safety of various operations, so as to ensure life safety and health of personnel and to conduct risk management collectively.<br><br>(VI) The Company has established long-term strategic partnerships with major raw material suppliers and set up safety stock according to the preparation schedule, to ensure a smooth supply chain. To encourage continuous supplier optimization so that the Company can obtain raw materials and services at the right time, in the right quantity and at the right price, the Company regularly performs annual evaluation of suppliers according to aspects including quality, delivery dates, environmental protection and occupational safety and health, packaging, quality certification and services in coordination with production operations and environmental protection policies.<br>The Company will continuously strengthen self-evaluation of supply chain sustainability, and gradually incorporate CSR performance into the process of selection, evaluation, and audit. The Company jointly fulfills corporate social responsibilities with its suppliers using its influence. Excellent CSR experience sharing and collaboration with suppliers serve as a vital foundation for the Company to establish sustainable businesses. | |
| V. Does the company, following internationally recognized guidelines, prepare and publish reports, such as its Corporate Social Responsibility report, to disclose non-financial information of the | V | | V. The Company prepares a CSR report based on the core options of the GRI Standard and publishes it every June to disclose non-financial information as a communication bridge with all stakeholders who care about the Company, and to shed light on its philosophy of sustainable business and social responsibility and relevant information, as well as efforts at various relevant issues. | Consistent with the Corporate Social Responsibility Best-Practice Principles for TWSE or TPEx Listed |

<table>
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<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td>company? Has the company received assurance or certification of the aforesaid reports from a third-party accreditation institution?</td><td></td><td></td><td>The Company's CSR Report has been verified by the third-party certification agency (bsi), which has issued a statement on independent assurance opinion.</td><td>Companies.</td></tr>
<tr><td colspan="5">VI. If the company has established its own Corporate Social Responsibility Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies, state the discrepancies between these principles and its implementation:<br>The Company added its Corporate Social Responsibility Best Practice Principles on March 11, 2015. There was no material discrepancy between these principles and its implementation in accordance with the amendment of Letter Tai-Zheng-Zhi-Li-Zo No. 1090002299 by the TWSE on August 12, 2020.</td></tr>
<tr><td colspan="5">VII. Other important information to facilitate better understanding of the company's Corporate Social Responsibility practices:<br>(I) Composition, duties, and operation of the CSR Committee:<br>Members, responsibilities and operation of the Corporate Social Responsibility Committee of the Company:<br>1. Member and responsibility data: (Note 4)<br>(1) The current term of office is from July 5, 2020 to June 23, 2023.<br>(2) The Corporate Social Responsibility Committee shall meet at least twice a year.<br>2. Implementation Status<br>First meeting in 2020<br>(1) Meeting date: March 5, 2020<br>(2) Committee members in attendance: Wu, Pei-Chi, Quintin Wu, and Cheng, Tun-Chien<br>(3) 2019 CSR Report Progress Planning Report.<br>Second meeting in 2019<br>(1) Meeting date: August 12, 2020<br>(2) Committee members in attendance: Shen, Shang-Hung, Wu, Pei-Chi, Quintin Wu, and Cheng, Tun-Chien<br>(3) 2019 CSR Report Editorial Results Report.<br>(4) 2020 CSR Report Work Plan.<br>(5) The report on the results of stakeholder negotiation in 2019, including stakeholder identification, issues of concern, communication channel and response method.<br>(6) Amendments to the Company's Corporate Social Responsibility Best Practice Principles.</td></tr>
</table>

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|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |

First meeting in 2021

(1) Date of meeting: March 5, 2021

(2) Committee members in attendance: Shen, Shang-Hung, Wu, Pei-Chi, Quintin Wu, and Cheng, Tun-Chien

(3) 2020 Corporate Social Responsibility Report Editing Plan

(4) The report on the results of stakeholder negotiation in 2020 includes stakeholder identification, issues concerned, communication channels and response methods.

(5) Report on the identification results of major issues in 2020.

(II) Implementation of environmental protection, energy conservation and carbon reduction:

1. Environmental Policy

Continuous improvement environmental quality (EQ)

Regular assessment of environmental performance (EP)

Provision of a healthy environmental life (EL)

EQ＋EP＝EL

Taking into account our commitment to environmental protection and obligations, all employees of APC acknowledge that it is our duty to carry out environmental protection work so that the sustainable development of the Earth can be achieved. As a responsible organization, we are committed to and implement the following strategies to achieve the vision:

(1) Abide by the government's environmental protection and safety and health regulations.

(2) Pay attention to international treaties and environmental protection requirements of customers and stakeholders.

(3) Comply with SONY GP and RoHS product environmental protection assurance requirements.

(4) Implement continuous improvements to pollution prevention tasks and energy and resource management.

(5) Reduce potential environmental risks in operations.

(6) Set environmental goals and continue to improve the environmental management system through education and training and environmental audits to improve environmental performance and ensure the effective implementation of the environmental management system.

2. Outcomes of energy conservation and carbon reduction:

Total energy consumption and greenhouse gas emissions; energy savings and carbon emissions reduction in the most recent three years

| Category | Total energy consumption (GJ) | Total greenhouse gas emissions (tons $CO_2e$) | Energy saved (GJ) | Carbon emissions reduction (tons $CO_2e$) | Energy conservation rate (%) | Carbon emissions |
|---|---|---|---|---|---|---|

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies between its implementation and the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies |
|---|---|---|---|---|
| | Yes | No | Summary (Note 2) | |

| | | | | | | reduction rate (%) |
|---|---|---|---|---|---|---|
| 2018 | 756,709 | 111,461 | 11,390 | 1,636 | 1.43 | 1.45 |
| 2019 | 800,288 | 114,598 | 8,246 | 1,203 | 1.04 | 1.07 |
| 2020 | 783,569 | 106,415 | 8,792 | 1,243 | 1.10 | 1.11 |

Note: 2017 is the base year for energy use and greenhouse gas emissions.

3. Energy conservation and carbon reduction plans:

In 2021, "Line 1/2 cold energy recycling, Line 4 primary reflux power saving, Line 3/4 cooling water sharing, E-1413 steam saving, P-1419 soft water circulating pump power saving, P-7101A/B/C process water pump energy saving improvement, Taipower demand bidding" and other energy saving and carbon reduction plans are scheduled to be implemented. It is expected to save 2,126,485 kwh of electricity, 506 metric tons of steam, and reduce 1,193 metric tons of $CO_2e$ emission.

(III) Implementation of Social Services and Public Welfare:

1. Donation to the USI Education Foundation

USI Group upholds the business philosophy of "Solid Operation, Professional Management, Seeking Excellence and Serving the Society". On December 30, 2011, USI Corporation and Asia Polymer Corporation jointly established the USI Education Foundation with a fund of NT$ 50 million. The USI Education Foundation aims to engage in education-related charitable activities, and focuses on care for the disadvantaged, people in rural areas, and the ecology. The foundation has carried out the following activities in accordance with the relevant laws:

(1) Sponsor education in rural areas.
(2) Set up scholarships.
(3) Hold talks, seminars or other education-related charitable activities.
(4) Sponsor schools at various levels or educational groups to engage in activities such as literature, sports, music, dance, arts and drama.
(5) Industry-academia collaboration.
(6) Other educational activities of public interest in line with the objectives of the Foundation.

In 2020, the Company donated NT$2 million to the USI Education Foundation to sponsor related public welfare activities through the USI Education Foundation, including awarding scholarships, sponsoring service community activities in colleges and universities, sponsoring the public welfare platform culture foundation and Taidong Junyi Experimental High School, as well as sponsoring various other educational public welfare activities.

The foundation has offered scholarships to outstanding students from underprivileged backgrounds, who pursue studies in areas, including chemical engineering,

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<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td colspan="5">materials engineering, and applied chemistry at 13 public and private universities to promote education related to the aforementioned areas and talent cultivation, as well as motivate students at university and graduate school to work hard, thereby cultivating outstanding talents for the society. In 2020, grants were awarded to 30 students from 16 departments of 12 public and private universities, including 3 doctoral students, 19 master's students and 8 university students, among whom 26 are from poor families. In addition, a scholarship award ceremony and a praise lunch were held on December 11, 2020 to encourage and cultivate more outstanding students from the poor families, hoping to exert positive influence on the society in the future.<br>The USI Education Foundation also provides sponsorships to societies and clubs registered at various colleges and universities in order to encourage societies and clubs at colleges and universities to engage in services, such as education-related charitable activities for the disadvantaged, public welfare activities associated with rural education, as well as ecology and environmental protection education. The main types of activities sponsored by the foundation include education services activities in the following areas: languages, mathematics, nature, society, arts, life counseling, health, moral education, information education, environmental education and environmental protection education. The foundation hopes to provide the disadvantaged and rural people with diversified education through high-quality resources and manpower at colleges and universities. A total of 104 applications from 38 schools were filed in 2020 and 53 events in 27 schools were sponsored. Because of a considerable number of applications over the past years, our performance in encouraging young students to organize public service club activities has been significant, and this has become one of the long-term sponsored projects by the Foundation.<br>Mr. Stanley Yen, Chairman of the Alliance Cultural Foundation, took over as the Chairman of Junyi Elementary and Secondary School (currently known as Junyi Experimental High School) in Taitung since 2011, and he hopes to provide students in rural areas with equal opportunities for learning through heuristic education to create new value for education in Taiwan. The USI Education Foundation recognizes Mr. Stanley Yen's care for rural education in Taiwan and his idea on sustainable development. Therefore, the foundation supports his efforts to implement various projects related to implementing and fostering rural education by sponsoring the Alliance Cultural Foundation and Junyi Experimental High School.<br>In terms of other education and charitable activities, the foundation mainly sponsored the Boyo Social Welfare Foundation and the Teach For Taiwan. To enable these socially recognized units to receive stable support, the foundation plans to continuously provide sponsorships to them in order to assist more schoolchildren.<br>2. Community public welfare activities<br>(1) Organize staff blood donation activities;<br>(2) Donate epidemic prevention materials to primary and secondary schools in Linyuan District of Kaohsiung City;<br>(3) Respond to the global energy saving activity "Earth Hour" in 2020 to turn off the lights;<br>(4) The management plan of Kaohsiung air purification zone in 2020;<br>(5) Sponsor the training fund of Jintan Elementary School on baseball team;<br>(6) Sponsor the 18th USI Tennis Tournament;</td></tr>
</table>

Note 1: If “Yes” is checked in the operating status column, please explain the important policies, strategies, measures, and implementation situations; if “No” is checked in the operating status column, please explain the reasons, as well as give relevant policies, strategies, and measures to counter the situation.

Note 2: Companies that have already prepared their own CSR reports may specify ways to access the report and indicate the page numbers of the cited content in place of the Implementation Status.

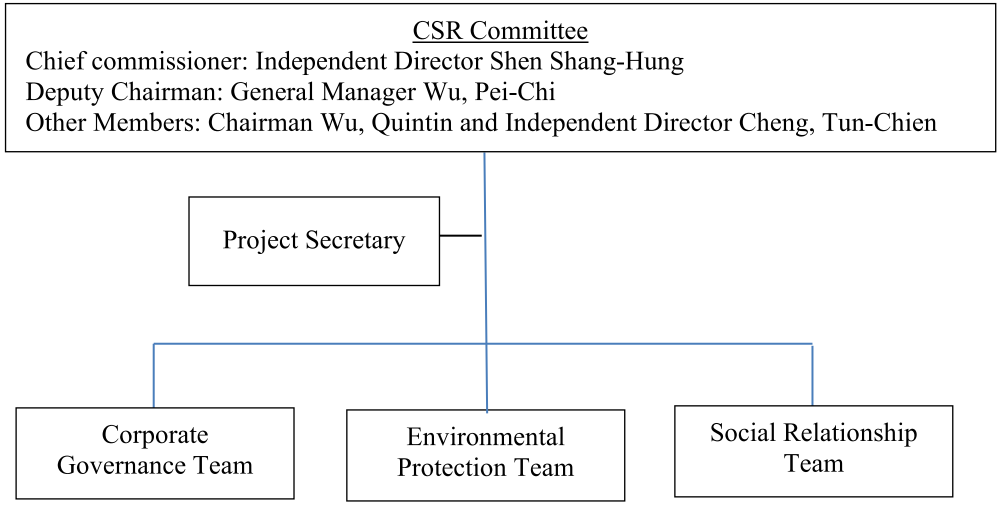
Note 3: The principle of materiality refers to environmental, social, and corporate governance issues that have significant impacts on the Company's investors and other stakeholders.

[Description of Revision]

In line with the plan to strengthen the disclosure of non-financial information in the annual report as in the new corporate governance blueprint (2018-2020), and with reference to the important international development trends, the items that shall be disclosed for fulfilling social responsibility are revised.

Note 4: CSR Committee

The organizational chart and members are as follows:




| Committee | Organization Rules | Members | Primary Functions | Status of Implementation |
|---|---|---|---|---|
| CSR Committee | The Committee is composed of the Chairman of the Board, General Manager, and two Independent Directors decided by the Board of Directors. One Independent Director shall serve as Chairman and the General Manager shall serve as the Deputy Chairman. | Chief commissioner: Independent Director Shen Shang-Hung<br>Deputy Chairman: General Manager Wu, Pei-Chi<br>Other Members: Chairman Wu, Quintin and Independent Director Cheng, Tun-Chien | The responsibilities of the Committee shall include the following items:<br>I. Determining the CSR policy.<br>II. Outlining the CSR strategy, annual plan, and project plans.<br>III. Supervising the plans of SCR strategies, the implementation of the annual plan and project plans, and evaluate the implementation.<br>VI. Reviewing and approving the corporate social responsibility report.<br>V. Report the implementation of CSR activities to the Board of Directors each year.<br>VI. Other matters to be conducted by the committees based on resolutions of the Board of Directors. | The first meeting was convened on March 5, 2020. According to Article 8 of the Organization Charter, at least two meetings shall be convened each year. Please refer to the Company's website for the detailed status of operations. |

## (VI) Corporate observance of ethical business practices and deviation from the Ethical Corporate Management Best-Practice Principles for the TWSE/GTSM Listed Companies and reasons thereof:

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Formulating Ethical Corporate Management Policies and Programs<br>(I) Does the company specify ethical corporate management policies and programs in its regulations and on external documents? Do its Board of Directors and the management team actively advocate and implement these policies?<br>(II) Has the company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"? | V<br>V | | (I) The Group upholds the business philosophy of "Solid Operation, Professional Management, Seeking Excellence and Serving the Society" and exercises its corporate culture that "seeks truth, honesty and comprehensiveness". The Company has established the "Ethical Corporate Management Best Practice Principles" "Procedures for Ethical Management and Guidelines for Conduct", "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers" to specify its ethical corporate management policies. The Company’s Board of Directors and the General Manager have signed statements of ethical management to fulfill their commitments in management policies.<br>(II) The Company's Board of Directors has established the "Ethical Corporate Management Best Practice Principles" and evaluation mechanisms for the risks of unethical conduct and regularly analyze and evaluate business activities within their business scope that are possibly at a higher risk of being involved in an unethical conduct. The Company shall use the evaluation to establish prevention programs, regularly review the appropriateness and effectiveness of prevention programs, and strengthen related preventive measures.<br>The prevention programs adopted by the Company shall include preventive measures against the following actions:<br>1. Offering and acceptance of bribes.<br>2. Illegal political donations.<br>3. Improper charitable donations or sponsorship. | Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies. |

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | 4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.<br>5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.<br>6. Engaging in unfair competitive practices.<br>7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services. | |
| (III) Has the company established policies to prevent unethical conduct, with clear statements regarding relevant procedures, conduct guidelines, punishments for violation, and rules for appeal, and does the Company implement them accordingly, and regularly review and correct such measures? | V | | (III) 1. The Company has established the "Ethical Corporate Management Best Practice Principles" and the Procedures for Ethical Management and Guidelines for Conduct, which have been approved by the Board of Directors, to specifically regulate matters to be noted for the Directors, managerial officers, employees, and substantive controllers when performing their duties, as well as the disciplinary and grievance systems for non-compliance; the Company has also established the "Rules for Handling Cases of Illegal and Unethical or Dishonest Conduct" to encourage the reporting of any illegal or unethical conduct or violations of the Code of Ethical Conduct or the Code of Business Integrity. Any employee or external party can freely choose to access the Company's website or a dedicated hotline set up at the Audit Office to report cases of illegal, unethical, or dishonest conduct.<br>2. Related regulations have been fully implemented and we continue to organize training courses to promote the ideals.<br>3. Pursuant to the amended "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" announced by the competent authority in May 2019, the amendments to the "Ethical Corporate Management Principles," the "Procedures for Ethical Management and Guidelines for Conduct," and the "Procedures for Handling Cases of Illegal and Unethical or | |

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | Dishonest Conduct" have been approved by the Board of Directors on November 12, 2019. | |
| II. Implementing Ethical Corporate Management<br>(I) Has the Company evaluated the ethics records of counterparties to its business dealings, and specified ethical business policies in contracts with counterparties related to its business dealings?<br>(II) Has the company established an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board on a regular basis (at least annually) about the ethical corporate management policies, precautionary measures against unethical conducts, as well as the implementation and supervision thereof?<br>(III) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications?<br>(IV) Has the company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?<br>(V) Does the company regularly hold internal and external training related to ethical corporate | <br><br>V<br><br>V<br><br>V<br><br>V | | (I) The Company has requested for terms of ethical conduct to be clearly defined in commercial contracts in accordance with its Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct.<br>(II) To strengthen ethical corporate management, the corporate governance team is responsible for establishing the ethical corporate management policy and prevention programs while supervising such implementation; the Corporate Governance Officer reports to the Board of Directors regularly at least once a year.<br>(III) The Company has formulated the "Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers" to prevent conflict of interest and provide suitable channels for Directors, managers, and employees to explain any potential conflict of interest with the Company.<br>(IV) The Company's accounting systems and internal control systems can run independently and objectively. Internal control personnel regularly report their findings to the Audit Committee and the Board of Directors. CPAs appointed by the Company regularly perform internal audits and hold discussions with the management.<br>The internal audit unit has drafted the audit plan for next year after risk assessment and included the item of "management of reporting illegal and unethical or dishonest behavior" in the audit, which is used to check compliance with the dishonesty prevention program.<br>(V) To help employees understand professional ethical regulations, the Company has published related regulations on the corporate website and | Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies. |

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| management? | V | | continues to invite renowned academics and experts to provide training and awareness programs for Directors, managerial officers, employees, and substantial controllers so they understand the Company's resolve for implementing ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.<br>In 2020, APC Taipei / Linyuan Plant held training lectures on ethical issues, with 105 employees participating in the training, and the total training time is 274 hours. | |
| III. Implementing the Company's whistleblowing system<br>(I) Has the company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel to handle investigations against wrongdoers? | <br><br>V | | <br><br>(I) The Company's Board of Directors passed the amendments to the "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" on November 12, 2019 (Website: https://www.apc.com.tw/OthersPDF/APC_HandlingForIllegalImmoral.pdf).<br>They included the following report channels, incentive system, dedicated personnel responsible for processing reports, and whistleblower protection measures:<br>1. Whistleblowing channels:<br>(1) Personal report: Face-to-face explanation.<br>(2) Telephone report: 02-26503783<br>(3) Written report: Auditing Office, 7F., No. 37, Jihu Rd., Neihu Dist., Taipei City.<br>2. Incentive system:<br>Where a report is verified as true and its contribution generates significant economic benefits, the incident may be submitted to the General Manager to provide the whistleblower with appropriate rewards.<br>3. Responsible personnel:<br>(1) Audit Committee: Accept reports from shareholders, investors, and other stakeholders. | Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies. |

| Evaluation Item | Status of Implementation (Note 1) | | | Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | (2) Auditing Office: Accept reports from clients, suppliers, and contractors.<br>(3) Personnel Division: Accept reports from employees.<br>4. Whistleblower protection:<br>Whistleblowers or persons involved in investigations shall be fully protected and the confidentiality of their identities and information provided shall be fully maintained, so that they will not be subjected to unfair treatment or retaliation. Where the whistleblower is an employee, the Company shall guarantee that the employee shall not sustain inappropriate treatment that may arise from the report. | |
| (II) Has the company established standard operating procedures for the investigation of reports, follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism? | V | | (II) The measures mentioned in the preceding paragraph specify the standard operating procedures for investigating the case being exposed by the whistleblower and the relevant confidentiality mechanism; where whistleblower is anonymous or did not use his/her true name, or the content stated or the proof of origin provided is deemed necessary for investigation, the case may still be reported to the Chairman/General Manager before the case is handled and recorded as a reference for internal review. The Company shall conduct investigations on the internal evidence after receiving the reports. Once they are verified as true, the Company shall, based on the violation or severity of the violation, implement disciplinary measures and process such violations in accordance with related regulations. | |
| (III) Has the company set up protection for whistleblowers to prevent them from being subjected to inappropriate measures as a result of reporting such incidents? | V | | (III) The procedures above also specify that whistleblowers or persons involved in investigations shall be fully protected and the confidentiality of their identities fully maintained, so that they will not be subjected to unfair treatment or retaliation. | |
| IV. Strengthening Information Disclosure<br>Has the Company disclosed the content and effectiveness of its integrity management principles on the Company's website and the Market Observation Post System? | V | | The Company places related regulations and education material for ethical corporate management on the Company's website for employees to read at any time.<br>(Website:<br>The information related to ethical corporate management and the | Consistent with the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed |

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Status of Implementation (Note 1)</th><th rowspan="2">Discrepancies between its implementation and the Ethical Corporate Management Best Practice Principles for TWSE or TPEx Listed Companies and reasons for such discrepancies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>effectiveness of implementation is disclosed on the website (https://www.apc.com.tw/OthersPDF/APC_FaithManageRule.pdf) and in the annual report (and MOPS simultaneously)</td><td>Companies.</td></tr>
<tr><td colspan="5">V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies, state the discrepancies between these principles and its implementation:<br>The Company has established its Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers, the Ethical Corporate Management Best Practice Principles, the Procedures for Ethical Management and Guidelines for Conduct, the Code of Conduct for Employees Regarding Concurrent and Part-time Work, and the Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct. There was no material discrepancy during the implementation of these rules and regulations.</td></tr>
<tr><td colspan="5">VI. Other important information that facilitate the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles):<br>The Company has amended the "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct" in accordance with the amendments of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" announced and amended by the competent authority in May 2019 and they were passed in the meeting of the Board of Directors on November 12th, 2019. The Corporate Governance Officer reported to the Board of Directors on matters related to ethical corporate management on November 3, 2020.</td></tr>
</table>

Note: Regardless of whether "Yes" or "No" is selected, provide a brief description in the Summary column.

[Description of Revision]

In line with the amendments to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, the items that the Company shall disclose when implementing ethical corporate management have been revised.

(VII) Methods of inquiry on the Corporate Governance Best Practice Principles and related regulations established by the Company:

1. The Company has established the following operating procedures:

(1) Articles of Incorporation

(2) Regulations Governing the Acquisition and Disposal of Assets

(3) Regulations Governing the Making of Endorsements/Guarantees

(4) Regulations Governing the Loaning of Funds to Others

(5) Rules of Procedure for Board of Directors' Meetings

(6) Regulations Governing the Evaluation of the Performance of the Board of Directors

(7) Codes of Ethical Conduct for Directors and Managerial Officers

(8) Regulations Governing the Election of Directors

(9) Employee Work Rules

(10) Procedures for Handling Material Inside Information

(11) Procedures for Ethical Management and Guidelines for Conduct

(12) Ethical Corporate Management Best Practice Principles

(13) Rules of Procedure for Shareholders' Meetings

(14) Rules Governing the Scope of Powers of Independent Directors

(15) Remuneration Committee Charter

(16) Audit Committee Charter

(17) Corporate Social Responsibility Best Practice Principles

(18) CSR Committee Charter

(19) Corporate Governance Best Practice Principles

(20) Procedures for Handling Cases of Illegal and Unethical or Dishonest Conduct

(21) Management Guidelines for Employee Complaint and Feedback Mailboxes

(22) Standard Operating Procedures for Requests Filed by Directors

(23) Human Rights Policy and Management Plan

(24) Corporate Governance Self-Evaluation Report

(25) Risk management policies and procedures

2. As of the publication date of this annual report, refer to the following for the Company's Corporate Governance Best Practice Principles and other relevant regulations:

   (1) Corporate Governance section of the Market Observation Post System (http://mops.twse.com.tw/mops/web/index).

   (2) Corporate Governance section under Investor Relations on the Company's official website (https://www.apc.com.tw)

(VIII) Other important information that can promote understanding of the Company's corporate governance operations:

The Company regularly performs audits of its subsidiaries, as well as analyzing and reviewing the financial and business information of its subsidiaries in accordance with the requirements for supervision and monitoring of subsidiaries stipulated in the Regulations Governing Establishment of Internal Control Systems by Public Companies.

## (IX) Implementation of the Internal Control System

### 1. Statement on Internal Control

Asia Polymer Corporation
Statement on Internal Control System

March 5, 2021

The Company makes the following statement according to the self-evaluation conducted for the internal control system in 2020:

I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Company's Board of Directors and managerial officers, and thus the Company has established such a system. The objectives of the internal control system include achieving various objectives in business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.

II. An internal control system has inherent constraints. No matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the abovementioned objectives. In addition, the effectiveness of the internal control system may change with the environment and under different situations. Nevertheless, the Company's internal control systems are equipped with self-monitoring mechanisms, thereby allowing the Company to take immediate remedial actions in response to any identified deficiency.

III. The Company determines whether or not the design and implementation of its internal control system is effective according to the items for determining the effectiveness of internal control systems as stated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The items for the determination of internal control systems adopted in the Regulations has identified five key components based on management control processes: (1) control environment, (2) risk assessment, (3) control operations, (4) information and communication, and (5) monitoring operations. Each constituent element includes a number of categories. Please refer to the "Regulations" for the aforementioned categories.

IV. The Company has adopted the items for determining internal control systems in order to evaluate the effectiveness of its internal control system design and implementation.

V. In accordance with the aforementioned evaluation, the Company has found that the design and implementation of the internal control system (including the assessment and management of subsidiaries), as of December 31, 2020, including the efficacy of understanding operations, the efficiency of achievement of objectives, reliability in reporting, timeliness, transparency and compliance with the relevant guidelines and laws, are effective and can reasonably provide assurance of the aforesaid goals.

VI. The Statement shall become the main content of the Company's annual report and prospectus, and shall be made public. Should the abovementioned content contain illegalities such as fraudulent and hidden information, the Company shall assume legal liabilities involving Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

VII. This statement was passed by the Board of Directors in their meeting held on March 5, 2021, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

Asia Polymer Corporation

Chairman: Quintin Wu

General Manager: Wu, Pei-Chi

2. Where CPAs are commissioned to audit the Company's internal control systems, the audit report prepared by the CPAs shall be disclosed: Not applicable

(X) Any penalties imposed upon the Company or internal personnel by laws, or punishment imposed by the Company on internal personnel for violation of the Company's internal control system regulations, details on the punishment if it might have significant impact on the shareholders' equity or securities prices, major defects and corrective action thereof in the most recent fiscal year and as of the date of this annual report: None.

(XI) Key resolutions adopted by the Shareholders' Meeting and the Board of Directors in the most recent fiscal year up to the publication date of this annual report

1. Shareholders' Meeting

| Year of Meeting | Date of Meeting | Key Resolutions and Implementation |
| --- | --- | --- |
| 2020 | June 12, 2020 | The minutes of the Shareholders' Meeting were posted onto MOPS on July 1, 2020.<br>The resolutions and their status of implementation are as follows:<br>1. Approved the 2019 Account Book.<br>Implementation status: The resolution was passed.<br>2. Approved 2019 Earning Distribution Plan<br>Implementation status: The resolution was passed. A total of NT$332,629,647 were distributed to the shareholders as cash dividends, and the record date was July 29, 2020. All the cash dividends were completely distributed on August 28, 2020. NT$277,191,370 was distributed to the shareholders as stock |

| Year of Meeting | Date of Meeting | Key Resolutions and Implementation |
|---|---|---|
| | | dividends and 27,719,137 new shares were issued. All the stocks and dividends were distributed on August 28, 2020.<br>3. Discussions of the capital increase by retained earnings in new shares issuance.<br>Implementation status: The resolution was passed. The resolution was declared effective by the Securities and Futures Bureau under the Financial Supervisory Commission on July 2, 2020 and was approved as stated in the approved Letter Jing-Shou-Shang-Zi No. 10901151630 dated August 17, 2020. The Company issued 27,719,137 new shares, where 50 new shares were distributed for each thousand shares held. The capital increase record date approved by the Board of Directors was July 29, 2020, and all the new shares were completely distributed on August 28, 2020.<br>4. Discussed the amendment to the Rules of Procedure for Shareholders' Meetings<br>Implementation status: The resolution was passed, and has been implemented according to the resolution passed by the Shareholders' Meeting.<br>5. Amendment of the "Procedures for the Making of Endorsements/Guarantees".<br>Implementation status: The resolution was passed, and has been implemented according to the resolution passed by the Shareholders' Meeting.<br>6. Deliberate on the amendment of the Procedures for Loaning of Funds to Others<br>Implementation status: The resolution was passed, and has been implemented according to the resolution passed by the Shareholders' Meeting.<br>7. Deliberate on the permission for directors to engage in business competition<br>Implementation status: The resolution was passed. |

2. Board of Directors Meeting

| Year of Meeting | Date of Meeting | Key Resolutions |
|---|---|---|
| 1st Meeting in 2020 | March 5, 2020 | 1. Ratified the renewal of the three-year medium-term loan limit signed with Taipei Fubon Bank<br>2. Ratified the renewal of the three-year medium-term loan limit signed with Bank of China, Taipei Branch<br>3. Ratified the changes made to the personnel responsible for the safekeeping of the "company seal" and "seal of the person in charge" registered at the Ministry of Economic Affairs.<br>4. Approved the 2019 Account Book.<br>5. Approved the 2019 remuneration distribution plan for Directors and employees. |

| Year of Meeting | Date of Meeting | Key Resolutions |
|---|---|---|
| | | 6. Approved the 2019 earnings distribution plan.<br>7. Approved capital increase by retained earnings.<br>8. Approved the amendment to certain articles of the Rules of Procedure for Shareholders' Meetings<br>9. Approved the amendment of certain articles in the Regulations Governing the Making of Endorsements/Guarantees.<br>10. Approved the amendment of certain articles in the Procedures for Loaning of Funds to Others.<br>11. Approved the recommendation to lift the non-compete clause for Directors<br>12. Approved matters related to the convening of the 2020 general shareholders' meeting.<br>13. Established the period for acceptance of shareholders' proposals: April 5, 2020 to April 15, 2020<br>14. Approved remuneration of CPAs for 2019.<br>15. Approved the 2020 evaluation of the independence of appointed CPAs.<br>16. Approved the appointment of CPAs for 2020.<br>17. Approved the issuance of the 2019 Internal Control System Statement.<br>18. Approved the shutdown of the Kaohsiung branch<br>19. Permitted managerial officers to engage in competitions<br>20. Permitted accounting managers to engage in competitions<br>21. Authorized the Chairman to sign and deliver shot-term credit loan contracts and related documents to financial institutions.<br>22. Approved donations to the USI Education Foundation. |
| 2nd Meeting in 2020 | May 14, 2020 | 1. Ratified the renewal of the three-year medium-term loan limit signed with Yuanta Commercial Bank<br>2. The Chairman is authorized to change the meeting place of the 2020 shareholders' meeting in light of the COVID-19 outbreak.<br>3. Passed the amendments to the Company's internal control system. |
| 3rd Meeting in 2020 | June 30, 2020 | Approved the issuance of new shares. |

| Year of Meeting | Date of Meeting | Key Resolutions |
|---|---|---|
| 4th Meeting in 2020 | August 12, 2020 | 1. Ratified the change in the renewal of the three-year medium-term loan limit signed with Taishin International Bank.<br>2. Ratified short-term credit loan contracts and related documents signed with and delivered to financial institutions.<br>3. Approved the amendment to certain articles in the Rules of Procedure for Board of Directors' Meetings<br>4. Approved the amendment of certain articles in the Rules Governing the Scope of Powers of Independent Directors<br>5. Approved the amendment of certain articles in the Corporate Governance Best Practice Principles<br>6. Approved the amendment to certain articles of the Remuneration Policy and Regulations for Directors and Managerial Officers<br>7. Approved the amendment to certain articles of the Corporate Social Responsibility Best Practice Principles.<br>8. Approve the amendment of certain articles in the Procedures for Handling Material Inside Information<br>9. Approved to establish a joint venture sales company in China through its subsidiary APC (BVI) Holding Co., Ltd. |
| 5th Meeting in 2020 | November 3, 2020 | 1. Ratified the renewal of the three-year medium-term omnibus loan limit signed with KGI Bank<br>2. Ratified the renewal of the three-year medium-term omnibus loan limit signed with Shin Kong Bank.<br>3. Ratified the renewal of the three-year medium-term loan limit signed with E.SUN Bank.<br>4. Approved the 2021 company budget<br>5. Approved remuneration of CPAs for year 2020<br>6. Approved the 2021 audit plan.<br>7. Approved the amendment to certain articles in the Remuneration Committee Charter |
| 6th Meeting in 2020 | December 23, 2020 | 1. Ratified the renewal of the three-year medium-term loan limit signed with First Commercial Bank<br>2. Approved formulation of the Risk Management Policy and Procedures |
| 1st meeting in 2021 | March 5, 2021 | 1. Ratified the three-year comprehensive credit line signed with Far Eastern International Bank.<br>2. Approved the 2020 Account Book<br>3. Agreed the distribution of remuneration to directors and employees in 2020.<br>4. Approved 2020 Earning Distribution Plan<br>5. Approved capital increase by retained earnings.<br>6. Approved the amendment of certain articles in the Rules of Procedure for Shareholders' Meetings<br>7. Approved the recommendation to lift the non-compete clause for Directors |

| Year of Meeting | Date of Meeting | Key Resolutions |
|---|---|---|
| | | 8. Approved matters related to the convening of the 2021 Annual General Meeting<br>9. Decided on the time for accepting shareholders' proposals: April 4, 2021 to April 14, 2021.<br>10. Approved the 2021 evaluation of the independence of appointed CPAs<br>11. Approved the replacement of CPAs<br>12. Approved the issuance of the Statement of Internal Control System for 2020.<br>13. Authorized the Chairman to sign and deliver shot-term credit loan contracts and related documents to financial institutions.<br>14. Approved donations to the USI Education Foundation. |

(XII) Dissenting opinions or qualified opinions on resolutions passed by the Board of Directors that are made by directors or supervisors, and are documented or issued through written statements, in the most recent fiscal year up to the publication date of this annual report:

No such situation at the Company in the most recent fiscal year up to the publication date of this annual report.

(XIII) Summary of the resignation and dismissal of the Company's Chairman, General Manager, Accounting Manager, Finance Manager, Head of Internal Audit, Head of Corporate Governance, and Head of Research and Development in the most recent fiscal year up to the publication date of this annual report:

No such situation at the Company in the most recent fiscal year up to the publication date of this annual report.

## V. Information Regarding CPA Fees:

The Company may choose to disclose CPA fees by range or individual amount:

| Name of the CPA Firm | Name of CPAs | | Auditing period | Remarks |
|---|---|---|---|---|
| Deloitte, Taiwan | CPA Chiu, Cheng-Chun | CPA Huang, Hsiu-Chun | 2020 | |

Note: Where this Company replaces the CPA or accounting firm, the auditing periods of the former and successor CPA or firm shall be annotated separately. The reason for the replacement shall be provided in the Notes section accordingly.

Unit: NT$ thousands

| Range of Fees \ Professional Fee | | Audit Fees | Non-Audit Fees | Total |
|---|---|---|---|---|
| 1 | Under NT$2,000,000 | 0 | 23 | 23 |
| 2 | NT$2,000,000 (inclusive) - NT$4,000,000 | 2,620 | 0 | 2,620 |
| 3 | NT$4,000,000 (inclusive) - NT$6,000,000 | 0 | 0 | 0 |
| 4 | NT$6,000,000 (inclusive) - NT$8,000,000 | 0 | 0 | 0 |
| 5 | NT$8,000,000 (inclusive) - NT$10,000,000 | 0 | 0 | 0 |
| 6 | Over NT$10,000,000 (inclusive) | 0 | 0 | 0 |

(I) If the non-audit fees paid to the CPAs, accounting firm and its affiliated companies exceeds one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed:

Unit: NT$ thousand

| Name of the CPA Firm | Name of CPAs | Audit Fees | Non-Audit Fees | | | | | CPA's duration of audit | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | | | System Design | Business Registration | Human Resources | Others (Note 2) | Subtotal | | |
| Deloitte, Taiwan | CPA Chiu, Cheng-Chun<br>CPA Huang, Hsiu-Chun | 2,620 | 0 | 0 | 0 | 23 | 23 | 2020 | Service content: tax case review |

Note 1: If the Company has replaced the CPAs or accounting firm in the current fiscal year, the audit period should be listed separately, and the reason for replacement should be stated in the "remark" column. Information regarding the audit and non-audit fees paid should also be disclosed in order.

Note 2: Non-audit fees should be listed by service item. If the "Others" column under non-audit fees reaches 25 percent of the total non-audit fees, the service items associated with this column should be listed in the "Remarks" column.

(II) Where the CPA firm was replaced, and the audit fees in the fiscal year, when the replacement was made, were less than that in the previous fiscal year before replacement, the amount of audit fees paid before/after replacement and reasons for paying this amount shall be disclosed:

The Company did not replace the CPA firm in 2020. Therefore, this section is not applicable.

(III) Where accounting fee paid for the year was 10% (or more) less than that of the previous year, the sum, proportion, and cause of the reduction shall be disclosed:

The audit fee of the Company in 2020 decreased by NT$330,000 compared with that in 2019, reaching 11%, which is due to the fact that the translation of English financial reports of the Company has not been commissioned to the accounting firm since 2020.

# VI. Information on Replacement of CPA

## (I) Regarding the former CPA

<table>
<tr><td>Replacement Date</td><td colspan="4">From the first quarter of 2021</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="4">Due to the internal rotations of CPAs at Deloitte, Taiwan, the Company’s financial statements, previously certified by the CPAs Chiu, Cheng-Chun and Huang, Hsiu-Chun, are audited by the CPAs Chiu, Cheng-Chun and Zhuang, Bì-Yu starting from Q1 2021.</td></tr>
<tr><td rowspan="3">Statement on whether the authorizing party or the accountant terminate or reject the authorization</td><td colspan="2">Principal<br>Status</td><td>Wu Shih-Tsung</td><td>The Company</td></tr>
<tr><td colspan="2">Termination of appointment</td><td colspan="2" rowspan="2">Not applicable</td></tr>
<tr><td colspan="2">No longer accepted (continued) appointment</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="4">The CPAs have issued audit reports for both 2020 and 2019 with unqualified opinion. Not applicable</td></tr>
<tr><td rowspan="7">Is there any disagreement with the issuer?</td><td rowspan="5">Yes</td><td colspan="2"></td><td>Accounting principles or practices</td></tr>
<tr><td colspan="2"></td><td>Disclosure of financial statements</td></tr>
<tr><td colspan="2"></td><td>Audit scope or procedures</td></tr>
<tr><td colspan="2"></td><td>Others</td></tr>
<tr><td colspan="2"></td><td></td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Description: None.</td></tr>
<tr><td>Other items for disclosure (where Item 1-4 to Item 1-7, Subparagraph 6, Article 10 of the Regulation should be disclosed)</td><td colspan="4">None.</td></tr>
</table>

(II) Information on the succeeding CPA:

| | |
|---|---|
| Name of CPA Firm | Deloitte, Taiwan |
| Name of CPAs | CPAs Chiu, Cheng-Chun and Zhuang, Bì-Yu |
| Date of Appointment | From the first quarter of 2021 |
| Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that might be included on financial statements before the appointment of new CPAs | None |
| Written opinions from successor CPAs with regards to matters with which former CPAs disagreed | None |

(III) Former CPAs' reply to Item 1 and 2-3, Subparagraph 6, Article 10, Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable

VII. Where the Company's directors, general manager, managerial officer in charge of finance or accounting who has served in a CPA's accounting firm or its affiliated companies in the most recent fiscal year, the name, job title, and the accounting firm, or the affiliated company shall be disclosed: Not applicable

VIII. Equity transfer or changes in equity pledged by the Company's directors, supervisors, managerial officers or shareholders with shareholding percentage exceeding ten (10) percent in the most recent fiscal year up to the publication date of this Annual Report:

(I) Changes in shareholdings of directors, supervisors, managers and major shareholders

| Title | Name | 2020 | | For the year ended April 30, 2021 | |
|---|---|---|---|---|---|
| | | Increase (decrease) in number of shares held | Increase (decrease) in number of shares pledged | Increase (decrease) in number of shares held | Increase (decrease) in number of shares pledged |
| Major Shareholder | Union Polymer Int'l Investment Corp. | 10,002,139 | 0 | 0 | 0 |
| Directors | Quintin Wu (Representative of Union Polymer Int'l Investment Corp.) | 0 | 0 | 0 | 0 |

| | | | | | |
|---|---|---|---|---|---|
| | Li, Kuo-Hung (representative of Union Polymer Int'l Investment Corp.) | 0 | 0 | 0 | 0 |
| | Wu, Pei-Chi (representative of Union Polymer Int'l Investment Corp.) | 0 | 0 | 0 | 0 |
| | Wu, Hung-Chu (Representative of Union Polymer Int'l Investment Corp.) | 0 | 0 | 0 | 0 |
| | Liu, Han-Tai (representative of Union Polymer Int'l Investment Corp.) (Appointed on September 1, 2020) | Not applicable | | 0 | 0 |
| | Liu, Chen-Tu (representative of Union Polymer Int'l Investment Corp.) (Dismissed on September 1, 2020) | 0 | 0 | Not applicable | |
| Shareholder | Taiwan Union International Investment Corporation | 1,046,639 | 0 | 0 | 0 |
| Directors | Ko, I-Shao (representative of Taiwan Union International Investment Corp.) | 0 | 0 | 0 | 0 |
| Independent Directors | Shen, Shang-Hung | 0 | 0 | 0 | 0 |
| | Chen, Ta-Hsiung | 0 | 0 | 0 | 0 |
| | Cheng, Tun-Chien | 0 | 0 | 0 | 0 |
| Chief Executive Officer | Quintin Wu | 0 | 0 | 0 | 0 |
| General Manager | Wu, Pei-Chi | 0 | 0 | 0 | 0 |
| Assistant VP of Sales Department | Wu, Ming-Tsung | 0 | 0 | 0 | 0 |
| Corporate Governance Officer. | Chen, Yung-Chih | 0 | 0 | 0 | 0 |
| Director of Linyuan Plant | Chen, Chun-Hung | 0 | 0 | 0 | 0 |
| Accounting Manager | Chen, Cheng-Shun | 0 | 0 | 0 | 0 |
| Finance Manager | Shih, Ju-Hsuan | 0 | 0 | 0 | 0 |
| Sales Manager | Huang, Ko-Ming | 0 | 0 | 0 | 0 |

Note 1: Shareholders who hold more than ten (10) percent of the Company's shares should be noted as substantial shareholders, and listed separately.
Note 2: Counterparties involved in equity transfer or pledging of shares to related parties should be shown in the following table.

## (II) Transfer of equity: N/A

## (III) Equity pledge information: Not applicable.

# IX. Information Regarding the Top 10 Shareholders in Terms of Number of Shares Held, Who Are Related Parties or Each Other's Spouses and Relatives within the Second Degree of Kinship:

April 13, 2021

| Name (Note 1) | Shares Held by the Person | | Spouse & Minor Shareholding | | Shares held in the name of other persons | | Title or name and relationship of top 10 shareholders who are related parties or each other's spouses and relatives within the second degree of kinship (Note 3) | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Shares holding % | Shares | Shares holding % | Shares | Shares holding % | Title (or Name) | with the Issuer | |
| Union Polymer International Investment Corporation | 210,044,924 | 36.08% | - | - | 0 | 0% | China General Terminal & Distribution Corporation | Same ultimate parent company as the Company | |
| Representative: Quentin Wu | 0 | 0% | - | - | 0 | 0% | None | None | |
| Taiwan Union International Investment Corporation | 21,979,426 | 3.78% | - | - | 0 | 0% | None | None | |
| Representative: Ko, I-Shao | 0 | 0% | 0 | 0% | 0 | 0% | China General Terminal & Distribution Corporation | Directors | |
| Norges Bank | 12,950,699 | 2.22% | - | - | 0 | 0% | None | None | |
| JP Morgan Chase Bank Taipei Branch as custodian of JP Morgan Asset Management (Taiwan) Limited Investment Account | 5,904,288 | 1.01% | - | - | 0 | 0% | None | None | |
| China General Terminal & Distribution Corporation | 5,186,748 | 0.89% | - | - | 0 | 0% | Union Polymer International | Same ultimate parent company as the Company | |
| | | | | | | | Ko, I-Shao | Director of China General Terminal & Distribution Co. | |
| Representative: Chang, Hung-Chiang | 0 | 0% | - | - | 0 | 0% | None | None | |
| JP Morgan Chase Bank Taipei Branch was entrusted to host the investment | 3,699,789 | 0.64% | - | - | 0 | 0% | None | None | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| account of Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund Company | | | | | | | | | |
| JP Morgan Chase Bank Taipei Branch was entrusted to host the Emerging Markets Stock Index Fund investment account of Vanguard Group | 3,688,000 | 0.63% | - | - | 0 | 0% | None | None | |
| Standard Chartered as the custodian for Credit Suisse First Boston | 3,412,000 | 0.59% | - | - | 0 | 0% | None | None | |
| Investment account of Ya-Fei Co., Ltd. under custody of First Bank | 2,940,000 | 0.51% | - | - | 0 | 0% | None | None | |
| Citibank (Taiwan) as custodian of Dimension Emerging Market Assessment Fund Investment Account | 2,891,971 | 0.50% | - | - | 0 | 0% | None | None | |

Note 1: All the top 10 shareholders should be listed. For institutional shareholders, their names and the name of their representatives should be listed separately.
Note 2: Shareholding percentage is calculated separately based on the number of shares held in the name of the person, his/her spouse and minors, and others.
Note 3: Relationships between the aforementioned shareholders, including juristic person shareholders and natural person shareholders shall be disclosed based on the financial reporting standards used by the issuer.

## X. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Supervisors, Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company

Unit: shares; %; December 31, 2020

| Reinvestment Entities (Note) | Ownership by the Company | | Investments by Directors, Supervisors, managerial officers and directly or indirectly controlled enterprises | | Total Ownership | |
|---|---|---|---|---|---|---|
| | Shares | Shareholding ratio | Shares | Shareholding ratio | Shares | Shareholding ratio |
| APC (BVI) Holding Co., Ltd. | 11,342,594 | 100.00% | 0 | 0.00% | 11,342,594 | 100.00% |
| USI International Corp. | 2,100,000 | 70.00% | 900,000 | 30.00% | 3,000,000 | 100.00% |
| APC Investment Co.,Ltd | 20,000,000 | 100.00% | 0 | 0.00% | 20,000,000 | 100.00% |
| China General Plastics Corporation - | 44,653,510 | 8.07% | 133,914,219 | 24.20% | 178,567,729 | 32.27% |
| China General Terminal & Distribution Corporation | 19,918,184 | 33.33% | 0 | 0.00% | 19,918,184 | 33.33% |
| Acme Electronics Corporation | 6,056,623 | 3.31% | 3,148,492 | 1.72% | 9,205,115 | 5.03% |
| Taiwan United Venture Capital Corp. | 3,913,533 | 8.33% | 0 | 0.00% | 3,913,533 | 8.33% |
| Swanson Plastics Corporation | 12,266,779 | 7.95% | 146,884 | 0.10% | 12,413,663 | 8.05% |
| USI Optronics Corporation | 5,972,464 | 9.20% | 61,745 | 0.10% | 6,034,209 | 9.30% |
| Ever Conquest Global Ltd. | 170,475,000 | 40.87% | 0 | 0.00% | 170,475,000 | 40.87% |

Note: Invested by the Company using the equity method

# Chapter IV. Funding Status

## I. Capital and Shares

### (I) Source of Share Capital

| Year and Month | Issued Price | Authorized share capital | | Paid-in Capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Shares | Shares | Shares | Shares | Source of Capital | Capital Increased by Assets Other than Cash | Others |
| 2020.8 | 10 | 620,000,000 shares | NT$6,200,000,000 | 582,101,882 shares | NT$5,821,018,820 | - | - | - |

(Note): Approved by Letter Jing-Shou-Shang-Zi No.10901151630 dated August 17, 2020

Note 1: The annual data shall be updated as of the publication date of this annual report.
Note 2: The effective (approval) date together with the doc. No. should be added for any capital increase.
Note 3: Shares traded below par value shall be indicated in a clear manner.
Note 4: Capital increase by currency debts or technology should be stated, and the type and amount of assets involved in such capital increase should be noted.
Note 5: Shares traded via private placement shall be indicated in a clear manner.

| Types of shares | Authorized share capital | | | Remarks |
|---|---|---|---|---|
| | Outstanding Shares | Unissued Shares | Total | |
| Registered common stocks | 582,101,882 shares | 37,898,118 shares | 620,000,000 shares | Listed |

Note: Please indicate whether the shares are issued by a company listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEx) (Shares of which trading is restricted on the TWSE or those which are traded on the TPEx should be noted).

Information regarding shelf registration: Not applicable.

(II) Shareholder Structure

April 13, 2021

| Shareholder Structure / Quantity | Government institutions | Financial Institutions | Other legal persons | Individuals | Foreign Institutions and Natural Persons | Total |
|---|---|---|---|---|---|---|
| Number of Shareholders | - | 3 | 205 | 52,710 | 111 | 53,029 |
| Number of Shares Held | - | 2,920,404 | 256,612,001 | 258,175,503 | 64,393,974 | 582,101,882 |
| Shareholding ratio | - | 0.50% | 44.08% | 44.36% | 11.06% | 100.00% |

Note: Companies primarily-listed on TWSE and Taipei Exchange shall disclose the proportion of its shares held by investors from Mainland China. Investors from Mainland China refers to natural persons, legal persons, organizations, institutions or companies in areas other than Taiwan and Mainland China invested by persons of such identity as defined in Article 3 of the Regulations Governing Investment of Mainland Chinese in Taiwan.

(III) Distribution of Equity Ownership

Ordinary shares:

April 13, 2021

| Shareholding Range | Number of Shareholders | Number of Shares Held | Shareholding ratio |
|---|---|---|---|
| 1 to 999 | 26,637 | 4,313,129 | 0.74% |
| 1,000 to 5,000 | 17,359 | 38,607,610 | 6.65% |
| 5,001 to 10,000 | 4,103 | 30,367,095 | 5.22% |
| 10,001 to 15,000 | 1,721 | 21,359,316 | 3.67% |
| 15,001 to 20,000 | 876 | 15,740,295 | 2.70% |
| 20,001 to 30,000 | 878 | 21,854,511 | 3.75% |
| 30,001 to 50,000 | 596 | 23,524,074 | 4.04% |
| 50,001 to 100,000 | 466 | 32,169,231 | 5.53% |
| 100,001 to 200,000 | 241 | 32,911,706 | 5.65% |
| 200,001 to 400,000 | 88 | 23,561,864 | 4.05% |
| 400,001 to 600,000 | 13 | 6,475,832 | 1.11% |
| 600,001 to 800,000 | 10 | 7,066,809 | 1.21% |
| 800,001 to 1,000,000 | 6 | 5,786,655 | 0.99% |
| 1,000,001 and above (This range can be further classified where necessary) | 35 | 318,363,755 | 54.69% |
| Total | 53,029 | 582,101,882 | 100.00% |

Preferred shares: None.

(IV) List of Major Shareholders

April 13, 2021

| Names of Substantial Shareholders \ Shares | Number of Shares Held | Shareholding ratio |
|---|---|---|
| Union Polymer International Investment Corporation | 210,044,924 | 36.08% |
| Taiwan Union International Investment Corporation | 21,979,426 | 3.78% |
| Citibank (Taiwan) as custodian for UBS Europe SE Investment Account | 12,950,699 | 2.22% |
| JP Morgan Chase Bank Taipei Branch as custodian of JP Morgan Asset Management (Taiwan) Limited Investment Account | 5,904,288 | 1.01% |
| China General Terminal & Distribution Corporation | 5,186,748 | 0.89% |
| JP Morgan Chase Bank Taipei Branch was entrusted to host the investment account of Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund Company | 3,699,789 | 0.64% |
| JP Morgan Chase Bank Taipei Branch was entrusted to host the Emerging Markets Stock Index Fund investment account of Vanguard Group | 3,688,000 | 0.63% |
| Standard Chartered as the custodian for Credit Suisse First Boston | 3,412,000 | 0.59% |
| Investment account of Ya-Fei Co., Ltd. under custody of First Bank | 2,940,000 | 0.51% |
| Citibank (Taiwan) as custodian of Dimension Emerging Market Assessment Fund Investment Account | 2,891,971 | 0.50% |

(V) Market Price, Book Value, Earnings, and Dividends in the Most Recent 2 Years

| Item \ Year | | | 2020 | 2019 | For the year ended April 30, 2021 (Note 8) |
|---|---|---|---|---|---|
| Market Price Per Share (Note 1) | Highest | | 22.00 | 16.40 | 35.85 |
| | Lowest | | 12.25 | 12.80 | 18.50 |
| | Average | | 18.68 | 14.87 | 27.56 |
| Net value per share (Note 2) | Before distribution | | 20.80 | 18.45 | 22.43 |
| | After distribution | | -* | 17.85 | -* |
| Earnings Per Share (Note 3) | Weighted Average Shares | | 582,101,882 | 554,382,745 | 582,101,882 |
| | Earnings per share before retrospective adjustment | | 1.90 | 1.48 | 0.95 |
| | Earnings per share after retrospective adjustment | | 1.90 | 1.41 | - |
| Dividend Per Share (DPS) | Cash dividends | | 1.20※ | 0.60 | - |
| | Stock Dividends | Stock dividends from retained earnings | 0.20※ | 0.50 | - |
| | | Stock dividends from capital reserve | -* | - | - |
| | Accumulated unpaid dividends (Note 4) | | 0 | 0 | - |
| Return on Investments | Price/earnings ratio (Note 5) | | 9.18 | 9.89 | - |
| | Price/dividend ratio (Note 6) | | 14.54 | 24.38 | - |
| | Yield on cash dividend (Note 7) | | 6.88% | 4.10% | - |

※Based on the profit distribution plan which has been approved by the Board of Directors but is yet to be acknowledged by the Shareholders' Meeting

* If retained earnings or capital reserves were used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: List the highest and lowest market price of the common shares for each year and refer to the transaction value and transaction volume to calculate the average market price for each year.

Note 2: Please fill in data based on the shares issued by year-end and share allocation resolution of the shareholders meeting for the subsequent year.

Note 3: If there is any retrospective adjustment required due to stock dividends, earnings per share before and after such adjustment shall be listed.

Note 4: If there is any condition in issuing equity securities that allows for an undistributed dividend for the year to be accumulated to subsequent years in which there is a profit, the Company shall separately disclose accumulated undistributed dividends up to that year.

Note 5: Price/earnings ratio = Average closing price per share for the current fiscal year/Earnings Per Share

Note 6: Price/dividend ratio = Average closing price per share for the current fiscal year/cash dividend per share

Note 7: Cash dividend yield = Cash dividend per share/average closing price per share for the current fiscal year

Note 8: Net worth per share and earnings per share for the latest quarter up to the date of publication of the Annual Report as audited (reviewed) by CPAs shall be filled in. For all other columns, the Company shall fill information for the year up to the date of publication of the Annual Report.

(VI) Dividend policy of the company and its implementation

1. Dividend policy stipulated in the Company's Articles of Incorporation

   If the Company records a net income after taxes (NIAT) as indicated in its final annual accounts for the current fiscal year, the Company shall use its NIAT to cover cumulative loss in the previous fiscal year. If there is remaining balance, ten (10) percent of this balance has to be set aside as statutory reserves, while the rest shall be regarded as distributable profit. This distributable profit shall then be combined with undistributed earnings that has been accumulated in previous fiscal years. Part of this combined amount shall be recognized as or transferred to special reserves as required by the law or the competent authority, while the remaining balance shall be regarded as cumulative distributable profit. The Board of Directors shall propose a profit distribution plan which is then submitted to the Shareholders' Meetings for approval. The Shareholders' Meeting shall retain all or part of the Company's profit based on its business performance.

   In regards to the resolution on profit distribution, it has been decided that, due to the fact that the industry to which the Company belongs is in the maturity stage, and taking into account R&D needs and business diversification, dividends paid to shareholders shall not be less that ten (10) percent of distributable profit in the current fiscal year, where cash dividends shall not be less than ten (10) percent of the total dividends. However, no dividend shall be distributed if the distributable profit per share in the current fiscal year is less than NT$0.1.

2. Dividend distribution to be proposed to the shareholders' meeting:

   (1) Stock dividends: The allocation of NT$116,420,370 from retained earnings in 2020 for capital increase, in which 20 shares were distributed for every 1,000 shares held, has been proposed. The proposal is still pending approval at the Annual General Meeting before it is submitted to the competent authority for approval. The Board of Directors will set the base date for the distribution of stock dividends.

   (2) Cash dividends: The allocation of NT$698,522,258 from retained earnings in 2020 for the distribution of cash dividends, where a dividend of NT$1.2 will be paid for every share, has been proposed. The proposal is still pending approval at the Annual General Meeting before the Chairman of the Board is given the authority to set the date for the distribution of cash dividends.

3. Any expected material changes to the dividend policy shall be further explained: Not applicable.

(VII) Effects on the Company's business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent Shareholders' Meeting

No financial forecast was prepared for year 2021. Therefore, there is no need to disclose forecast information.

<table>
<tr><th colspan="3">Year<br>Item</th><th>2021 (forecast)</th></tr>
<tr><td colspan="3">Beginning paid-in capital</td><td>NT$5,821,018,820</td></tr>
<tr><td rowspan="3">Distribution of stock and cash dividends in the current fiscal year</td><td colspan="2">Cash dividends per share</td><td>NT$1.2</td></tr>
<tr><td colspan="2">Surplus to capital increase stock dividend per share</td><td>0.02 share</td></tr>
<tr><td colspan="2">Number of shares distributed per share held due to capital increase from capital reserve</td><td>0 shares</td></tr>
<tr><td rowspan="7">Changes in Operating Performance</td><td colspan="2">Operating profits</td><td rowspan="13">Not applicable</td></tr>
<tr><td colspan="2">Ratio of increase (decrease) in operating profit over the same period last year</td></tr>
<tr><td colspan="2">Net income after taxes (NIAT)</td></tr>
<tr><td colspan="2">Ratio of increase (decrease) in NIAT over the same period last year</td></tr>
<tr><td colspan="2">Earnings Per Share (EPS)</td></tr>
<tr><td colspan="2">Ratio of increase (decrease) in EPS over the same period last year</td></tr>
<tr><td colspan="2">Annual average return on investment (reciprocal of average annual price/earnings ratio)</td></tr>
<tr><td rowspan="6">Pro forma earnings per share and price/earnings Ratio</td><td rowspan="2">If capital increase from surplus earnings is entirely replaced by distribution of cash dividends</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro-forma average annual return on investment</td></tr>
<tr><td rowspan="2">If capital reserves is not used for capital increase</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro-forma average annual return on investment</td></tr>
<tr><td rowspan="2">If capital reserves is not used for capital increase and capital increase by retained earnings is replaced by cash dividend distribution</td><td>Pro forma earnings per share</td></tr>
<tr><td>Pro-forma average annual return on investment</td></tr>
</table>

Note: Distribution of dividends in 2021 is based on the earnings distribution plan approved by the Board of Directors on March 5, 2021.

1. The Company shall explain the basic assumptions for estimates and planned information.
2. Proforma earnings per share if capital increase by retained earnings is entirely replaced by cash dividend distribution.
   [Net profit after taxes - interest expense arising from cash dividends* x (1 - tax rate)]/(Total

number of shares issued at the end of the current year - number of shares allocated from earnings**)

Interest expenses arising from cash dividends* = Amount of capital increase from surplus earnings x one-year general loan interest rate.

Number of shares in earnings appropriation**: The number of increased shares from the earnings appropriation in the previous year

3. Annual average price-to-earnings ratio = Annual average market price per share/Earnings Per Share reported in the annual financial statements

(VIII) Remuneration of employees, Directors and Supervisors:

1. Percentage or range of rewards distributed to employees and directors as stipulated in the Company's Articles of Association:

   (1) Employee rewards: Employee rewards shall not be less than one (1) percent of the Company's profit in the current fiscal year. The abovementioned employee compensation can be distributed in the form of shares or cash. Compensation could be distributed to employees of the Company's subordinate companies when they meet certain conditions. Such conditions shall be set by the Board of Directors.

   (2) Directors' rewards: Directors' rewards shall not exceed one (1) percent of the Company's profit in the current fiscal year.

2. Basis for estimating the amount of rewards to be distributed to employees and directors, basis for calculating the number of shares to be distributed as employee rewards and accounting treatment for discrepancies between the actual and estimated amount of rewards to be distributed for this period:

   (1) Basis for estimating employee rewards: To be calculated based on the condition that employee rewards shall not be less than one (1) percent of the Company's profit in the current fiscal year.

   (2) Basis for calculating the number of shares to be distributed as employee rewards: Not applicable.

   (3) Accounting treatment for discrepancies between the actual and estimated distribution amount: Handled according to changes in accounting estimates

3. Distribution of rewards approved by the Board of Directors:

   (1) Rewards for employees and directors shall be distributed in the form of cash or shares. If there is any discrepancy between the abovementioned amount and estimated amount of recognized expenses for the current fiscal year, the amount, causes and treatment of such discrepancy shall be disclosed:

   Employee rewards: A total of NT$12,936,909 was distributed in the form of cash.

   Directors' rewards: None.

   There was no discrepancy between the amount of rewards to be distributed as approved by the Board of Directors and the recognized amount of rewards for employees and directors.

   (2) Dollar amount of employee rewards distributed in the form of shares

and its proportion to net income after taxes provided in the parent company-only or individual financial statements, as well as its proportion to the total amount of employee rewards:

Not applicable as employee rewards were not distributed in the form of shares.

4. If there is any discrepancy between the actual amount of rewards distributed to employees and directors (including number and dollar amount of shares distributed, as well as share price) and the recognized amount of rewards for employees and directors in the previous fiscal year, the amount, causes and treatment of such discrepancies shall be stated:

(1) Employee rewards: The shareholders' meeting resolved to distribute a total of NT$9,928,679 in employee rewards in cash.

(2) Directors' rewards: None.

(3) If there is any discrepancy between the actual amount and the recognized amount of rewards for employees and directors in the previous fiscal year, the amount, causes and treatment of such discrepancy shall be noted:

There was no discrepancy between the actual amount and recognized amount of rewards distributed to employees and directors.

(IX) Repurchase of the Company's Own Shares: None.

## II. Issuance of Corporate Bonds: None.

## III. Preferred Shares: None.

## IV. Overseas Depository Receipt: None.

## V. Issuance of Employee Stock Options: None.

## VI. New Restricted Employee Shares: None.

## VII. Status of New Share Issuance in Connection with Mergers and Acquisitions: None.

## VIII. Capital Utilization Plan and Its Implementation: None.

# Chapter V Operations Overview

## I. Business Activities

### (I) Scope of Business

1. Main content and proportion of businesses

(1) Manufacture, processing and sale of low-density polyethylene (LDPE).

(2) Manufacture, processing and sale of medium-density polyethylene (MDPE).

(3) Sale of high-density polyethylene (HDPE).

(4) Sale of linear low-density polyethylene (LLDPE).

(5) Manufacture, processing and sale of ethylene vinyl acetate (EVA) copolymer resins.

(6) Manufacture and sale of degradable plastic materials.

(7) Machinery wholesaling.

(8) Investment industry.

(9) Trading of plastic raw materials.

In 2020, the Company's sales of low-density polyethylene resins accounted for 32% of its overall turnover while its sales of ethylene vinyl acetate resins accounted for approximately 67%. Other products accounted for approximately 1%.

The main business of its subsidiary, USI Trading (Shanghai) Co., Ltd is plastic raw material trading, and the revenue of this subsidiary is included in the operating income reported in the consolidated financial statements. On the other hand, its other subsidiaries including APC (BVI) Holding Co., APC Investment Corporation and USI International Corp. engage mainly in investments, and their revenues are included in the non-operating income reported in the consolidated financial statements.

2. Current products:

Low-density polyethylene resins: film-grade, injection molding-grade and laminating film-grade products, as well as products for other uses (low crystallization point, microfiber or foaming).

Ethylene vinyl acetate resins: film-grade, foaming-grade, laminating film-grade, electric cable-grade and photovoltaic-grade products.

3. Plans for new product development

High-speed laminating film-grade, high-viscosity pre-coating film-grade, and other special-grade ethylene vinyl acetate resins products.

## (II) Industry Overview

1. Current state and development of the industry:

   APC's LDPE/EVA production volume in 2020 was 129,672MT which was a decrease of 5,820MT from the 135,492MT in 2019. The total sales volume was 137,014MT which was a decrease of 10,814MT from the 147,828MT in 2019.

   Based on the overall operating conditions in 2020, the annual average selling price of LDPE/EVA fell by around 10% compared with last year. The material costs for the year dropped significantly by more than 20% as compared with last year, which significantly widened the spread of selling price. The EVA market in 2020 can be described as a sharp rise and fall. EVA price trend can be divided into two stages, the first half of the rapid decline, the second half of the sharp rise. The first half of the year was affected by the epidemic, international crude oil and commodity prices suffered a rapid decline in the background, and EVA can hardly survive alone. EVA prices increased in the second half of the year, in addition to solar market conditions continue to be hot, foam, coating and other applications demand is gradually picking up, resulting in a much higher rate of increase than the upstream raw materials ethylene, to the end of 2020 EVA spread has reached a new high in nearly nine years. In 2020, LDPE sales volume was 45,034MT, an increase of 1,568MT compared to the previous year. LDPE sales volume increased by 3.6% compared to 2019 due to domestic sales, which were not only unaffected by the epidemic, but also increased demand for hygiene materials and protective clothing. As for EVA, sales volume reached 90,927MT, a decrease of 11,461MT compared to 102,388MT in the previous year, mainly due to the disruption of EVA demand performance by the epidemic.

2. Relationship between upstream, mid-stream and downstream companies:

   At present, the Company mainly sources its ethylene and vinyl acetate from CPC Corporation and Dairen Chemical Corp. Hence, the Company not only continues to maintain good relationships with these companies but also continuously develops overseas supply channels in order to ensure stable supply of ethylene and reasonable cost control for the Company. In terms of sales, we shall maintain parity with two domestic competitors and improve the sales and marketing of niche product to satisfy the demand of domestic and foreign customers. We shall also expand niche and high-value products to continue the expansion of operations and company profits.

3. Product development trends and competition:

   The competition for general purpose LDPE raw materials remains fierce, as the Company is moving toward product differentiation to widen the profit margin and to stabilize LDPE sales, which are mainly for domestic sales. With the robust demand for solar packaging films, the Company's supply of high-quality solar-grade EVA products was tight. In order to increase the operating niche, the Company continued to advance the coating-grade EVA production technology and improve the quality and production volume. With the efforts of the business and development teams, the market expansion has achieved remarkable results, and the sales volume of coated EVA increased by more than 6% for the year. In addition, the Company actively engaged in the R&D and sales of cable-grade and high-end foaming-grade EVA to meet the scale of production and sales.

   Since there is no new EVA production capacity worldwide in the past two years, and the demand for EVA solar packaging film continues to grow, EVA has been in short supply since the second half of last year, but new EVA production capacity will come on stream in mainland China this year. In addition to closely observing the impact of this pandemic on the PE/EVA market, the Company will actively expand the non-China market to diversify risks, and continue to attach importance to the development of high-value differentiated products while actively seeking low-cost raw material sources, to maintain the competitiveness in cost. Thus, the Company can adjust its production and sales arrangement flexibly in response to changes in market supply and demand, to give full play to the advantages of small but strong production lines, to reduce the impact of low-price competition in the industry, and strive to break through the status quo and open up new opportunities.

## (III) Technology, Research and Development

1. Research and development (R&D) expenses in the most recent year up to the date of publication of the Annual Report

   2020: NT$5,423 thousand.

As of April 2021: NT$2,285 thousand.

2. Successfully developed technologies or products in the most recent fiscal year up to the publication date of this annual report

   Development of batch production technologies for low crystallization point coating-grade EVA product V18161

   Development of batch production technologies for low crystallization point coating-grade high-speed laminating film-grade EVA product V18251

3. R&D projects in the most recent fiscal year

   (1) Item: Development of production technologies for low crystallization point coating-grade/high-speed laminating film EVA.

   (2) Current progress of uncompleted R&D projects:

   - Development of production technologies for low crystallization point coating-grade/high-speed laminating film EVA. The progress is currently 90% complete.

   (3) Additional R&D expenses required: approximately NT$16,430 thousand.

   (4) Estimated time for the completion of mass production: fourth quarter of 2021.

   (5) Main factors affecting the success of R&D in the future:

   * Cultivation of R&D talents and technological inheritance.
   * Ample market intelligence (such as quality requirements, product usage and price acceptance).
   * Additional necessary equipment.

(IV) Long-term and short-term business development plans

Short-term plans:

1. As for LDPE, because USI Corporation and Formosa Plastics have not produced LDPE for a long time, the Company is the only domestic supplier of LDPE and it is mainly sold domestically. Due to the low ratio of supply to total domestic demand and the reputable domestic market for various products, we are able to satisfy our customers' demand for materials with reasonable profit margin. In addition, we will continue to develop various value-added industrial markets for domestic and overseas

sales.

2. In terms of EVA, sales of coating-grade raw materials have been growing, and we are continuing to expand our sales in China and Southeast and South Asian markets. Furthermore, the Company will continue to develop special EVA materials, including high-speed laminating film-grade and high-viscosity pre-coating films, to increase the technological level of products while maximizing the existing production capacity.

Long-term plans:

1. The Company will stabilize and continuously enhance the quality and specificity of its LDPE/EVA products so as to solidify and expand the market for such products, as well as increase its sales and profitability.
2. The Company will continue to seek opportunities for integration with upstream and downstream sectors and establish a strategic alliance with USI to gain more control over upstream materials and costs and expand the integrated upstream and downstream sales strategy.

# II. Analysis of the Market as well as Production and Marketing Situation

## (I) Market Analysis

1. Sales regions for major products:

Among the domestic manufacturers of polyethylene (PE) plastic raw materials, the Company and USI Corporation, as well as Formosa Plastics Corporation mainly manufacture low-density polyethylene (LDPE) and ethylene vinyl acetate (EVA) resins. On the other hand, USI Corporation and Formosa Plastics Corporation also manufacture high-density polyethylene (HDPE) and linear low-density polyethylene (LDPE) raw materials.

At present, domestic sales still dominate the sales of LDPE raw materials manufactured by the Company (accounting for approximately 75% of the overall LDPE sales this year), whereas the Company's EVA raw materials are mainly exported (accounting for approximately 94% of the overall EVA sales this year).

In 2020, the proportion of domestic sales to export sales was 29% to 71%, and the product were exported across China/Hong Kong, Vietnam, India, Indonesia, and Bangladesh.

In terms of export volume, LDPE accounted for approximately 11% of its export volume, whereas EVA constituted 88%. For domestic sales, LDPE and EVA sales made up 86% and 14% of its overall domestic sales volume, respectively.

2. Market share:

   Formosa Plastics Corporation and USI do not produce LDPE, and domestic LDPE demand depends on the Company and supply from sources of imports, of which the Company accounts for 21% and imported materials account for 79%. For the domestic market of EVA, the Company accounts for 14%, USI accounts for 39% while Formosa Plastics accounts for 24% and imported materials account for 23%. Since the total production volume of LDPE and EVA among three domestic manufacturers have exceeded domestic demand, the Company not only continues its efforts to enhance its domestic market share, but also needs to enhance its expansion into the export market to achieve a balance between production and sales.

3. Supply and demand and growth of future market:

   Looking ahead to 2021, EVA offer increases rapidly after the spring break. The low inventory of Chinese enterprises before the Spring Festival and the local New Year's Eve policy make the resumption of work and production after the Spring Festival is expected to be faster, resulting in tight supply, in addition to the global container shortage, the rise in logistics and transportation costs pushed up the cost of EVA imports. As the solar energy market is actively promoting green energy policies in China and the U.S., the market is expected to see significant growth in solar energy demand in the future, and EVA will remain in tight supply in the short term, which may bring favorable support to prices. However, whether the epidemic can be effectively controlled and the trade dispute between the U.S. and China will add uncertainties to the future. In addition, the new production capacity of EVA in China will be put into production one after another, and it is expected that the self-sufficiency rate of EVA in China will increase in the second half of the year. In the future, we need to closely monitor the future development, flexibly adjust the production and sales of LD and various grades of EVA products, and actively compete for orders. We are also strengthening our inventory and supply chain management, continuously improving non-scheduled parking and adjusting our product portfolio in order to improve our competitiveness.

4. Competitive niche:

   As the Company's business philosophy is "Solid Operation, Professional Management, Seeking Excellence and Serving the Society," our quality management focuses on non-stop improvement of product quality and continuous enhancement of service quality in order to provide customers with satisfactory operational quality. At present, the Company's specific strategies are to not only obtain stable supply of ethylene from the Middle East, China, and even the United States over the long term in order to compensate for inadequate supply of ethylene from CPC Corporation, but also continuously maintain the strategic alliance with USI Corporation in order to provide product support to each other, as well as actively develop high-value LDPE/EVA products in order to achieve the goal of sustainable development.

5. Favorable and unfavorable factors affecting the Company's development prospects and corresponding countermeasures:

   Favorable factors:

   (1) The Company is a business unit that produces and sells a single product, namely LDPE/EVA, and is able to adjust and maneuver its production lines to respond to the latest market needs in order to enhance the competitiveness of the Company's products.

   (2) The Company's production lines involve autoclave-type processes, and are able to produce high-end LDPE/EVA products to meet customized requirements for a small quantity of diverse products in the market.

   (3) The Company has accumulated excellent experience in new product development.

   (4) The Company has formed a strategic alliance with USI to provide mutual support for insufficient products so as to maximize the benefits of its production capacity.

   (5) The Company's EVA production equipment upgrade is almost complete.

(6) The Company focuses on its own main business and R&D of new products to expand the market.

Unfavorable factors:

(1) Insufficient supply of ethylene requires the Company to make purchase from foreign sources. The price of ethylene is fluctuated in line with the international market, thus are difficult to manage.
(2) The low production capacity of the production line increases unit production costs.
(3) Low import tariffs for LDPE/EVA products in Taiwan have resulted in competition from low-priced imported materials from new production capacities in foreign countries. Not only has the market been divided, the sales price of LDPE/EVA products will also be indirectly affected and cannot be increased.
(4) For LDPE/EVA, Taiwan has not joined the ASEAN free trade zone, and countries have signed the RCEP agreement with each other. The resulting trade barriers and unfair competition in the export market will severely affect sales volume and prices.

Response strategy:

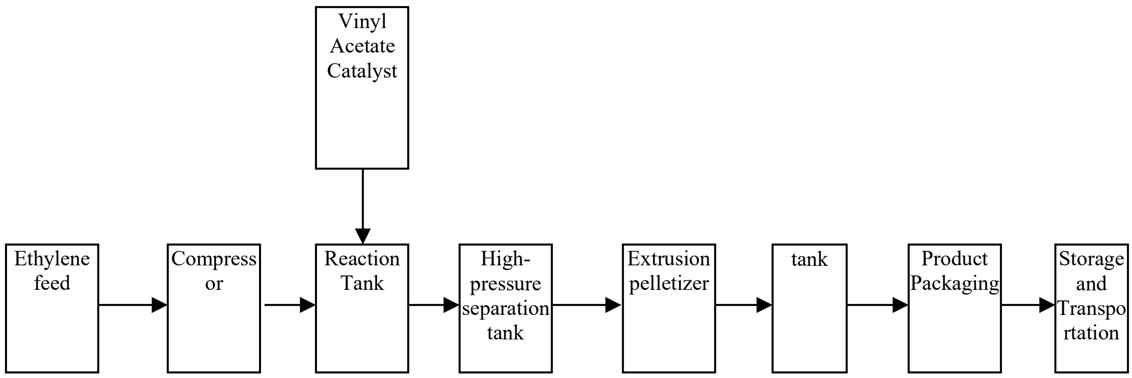
In order to keep abreast of the stable and low-cost sources of ethylene and the ethylene transportation and inventory turnover, the Company will invest in Gulei Petrochemical's project and the supporting facilities for ethylene storage tanks and underground pipelines of the Port of Kaohsiung Intercontinental Container Terminal Phase II Petrochemical Oil Center. In addition, the Company will continue to improve the stability and operation rate of the existing production equipment to improve product production and quality to reduce production costs, to win over the market. Furthermore, it is committed to the reasonableness of product prices and customer services, while developing high value-added products in line with market trends and expanding the export markets of new developing countries, with a view to gaining a stable long-term client base, thereby increasing operating benefits.

(II) Important Uses and Production Processes of Main Products

1. Important uses of major products

   The Company's low-density polyethylene (LDPE) plastic pellets can be divided into the following categories according to their applications - film-grade, injection molding-grade and laminating film-grade. Film-grade LDPE plastic pellets are mainly used for processing various packaging films, whereas injection molding-grade LDPE plastic pellets are mainly used for processing and manufacturing artificial flowers, various types of household plastic products and electronic components and parts. On the other hand, laminating film-grade LDPE plastic pellets are mainly used as a laminating film for various types of packaging films, as well as various types of protective films. Another product, ethylene vinyl acetate (EVA) copolymer resin, is mainly used in the production of foam shoes, sports equipment, various types of films, solar cell packaging films, hot-melt adhesives, protective films, as well as wire and cable insulation shields due to its high toughness and flexibility.

2. Production processes for major products LDPE and EVA




(III) Supply of primary raw materials

1. Ethylene

   The Company has signed an ethylene purchase contract with CPC Corporation. However, CPC Corporation's supply of ethylene is inadequate as the contract is not able to meet the Company's demand for ethylene. USI Corporation has been commissioned to import ethylene in order to compensate for the shortfall in the ethylene supply.

2. Vinyl acetate monomer (VAM)

   As the Company produces ethylene vinyl acetate copolymer resins, the Company purchases vinyl acetate monomers (VAM) from Dairen Chemical Corp. on a regular basis while importing some from abroad.

(IV) Name of customers who account for more than ten (10) percent of the total purchases (or sales) of goods and their amount and proportion of purchases (or sales) of goods in any one of the most recent two fiscal years, and reasons for the increase or decrease in purchases or sales of goods

1. List of suppliers with purchase amount exceeding 10% of total purchase, the purchase amount and proportion, and reasons for increase or decrease

Information regarding main suppliers in the most recent two fiscal years Unit: NT$ thousands

| | 2020 | | | | 2019 | | | | 2021 up to the end of the first quarter (Note 2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Percentage of Net Purchases of Goods (%) | Relationship with the Issuer | Name | Amount | Percentage of Net Purchases of Goods (%) | Relationship with the Issuer | Name | Amount | Percentage to net purchase in the year up to the first quarter (%) | Relationship with the Issuer |
| 1 | CPC Corporation | 1,588,092 | 51.11 | None | CPC Corporation | 2,027,112 | 50.84 | None | CPC Corporation | 586,978 | 60.57 | None |
| 2 | Mitsubishi | 436,636 | 14.05 | None | Mitsubishi | 574,541 | 14.41 | None | Dairen Chemical Corporation | 154,255 | 15.92 | None |
| 3 | Dairen Chemical Corporation | 412,006 | 13.26 | None | Dairen Chemical Corporation | 529,263 | 13.27 | None | Mitsubishi | 82,358 | 8.50 | None |
| 4 | Others | 670,759 | 21.58 | - | Others | 856,269 | 21.48 | - | Others | 145,478 | 15.01 | - |
| | Net purchase of goods | 3,107,493 | 100.00 | - | Net purchase of goods | 3,987,185 | 100.00 | - | Net purchase of goods | 969,069 | 100.00 | - |

Note 1: List the name of suppliers who account for more than ten (10) percent of the total purchases of goods and their amount and proportion of purchase of goods in the most recent two fiscal years. However, if the name of suppliers or counterparties who are individuals or non-related persons cannot be revealed due to contractual agreements, their codes shall be indicated.

Note 2: If, before the date of publication of the annual report, there is any financial data for the most recent period of a company whose shares are listed on a stock exchange ("listed company") or whose shares have been approved for trading on an over-the-counter market and attested or reviewed by a CPA, the financial data shall also be disclosed therewith.

Reasons for increase or decrease: Purchases from CPC Corporation decreased in 2020 mainly due to the decrease in supply and price

2. List of customers with sales amount exceeding 10% of total sales, the sales amount and proportion, and reasons for increase or decrease:

Information regarding main customers in the most recent two fiscal years | Unit: NT$ thousands

| | 2020 | | | | 2019 | | | | 2021 up to the end of the first quarter (Note 2) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Percentage of Net Sales of Goods (%) | Relationship with the Issuer | Name | Amount | Percentage of Net Sales of Goods (%) | Relationship with the Issuer | Name | Amount | Percentage to net sales in the year up to the first quarter (%) | Relationship with the Issuer |
| 1 | Customer A | 663,182 | 11.63 | Note 3 | Customer A | 843,103 | 12.41 | Note 3 | Customer A | 354,995 | 19.16 | Note 3 |
| | Others | 5,040,364 | 88.37 | - | Others | 5,948,054 | 87.59 | - | Others | 1,497,610 | 80.84 | - |
| | Net sales | 5,703,546 | 100.00 | - | Net sales | 6,791,157 | 100.00 | - | Net sales | 1,852,605 | 100.00 | - |

Note 1: Listed the name of the customers and the gross sales amount and ratio for those that take up more than 10% of the total sales amount in the most recent two years. However, for customers whose name are not permitted to be disclosed due to contract or the counterparts is an individual who is not an interested party, a code may be used.

Note 2: If, before the date of publication of the annual report, there is any financial data for the most recent period of a company whose shares are listed on a stock exchange ("listed company") or whose shares have been approved for trading on an over-the-counter market and attested or reviewed by a CPA, the financial data shall also be disclosed therewith.

Note 3: Client A is the parent company of a main shareholder and an affiliate with the same chairman. The sales amount to Client A increased in 2019 because of the increase in the client's demand.

## (V) Table of production volume in the 2 most recent years

Unit: metric tons/NT$ thousands

| Year / Production volume and value | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| Major Products | Production Capacity | Production Volume | Production Value | Production Capacity | Production Volume | Production Value |
| Low-density polyethylene pellets | 150,000 | 43,735 | 1,344,034 | 150,000 | 38,310 | 1,358,156 |
| Ethylene vinyl acetate (EVA) resins | | 85,937 | 2,928,196 | | 97,182 | 3,794,927 |
| Total | 150,000 | 129,672 | 4,272,230 | 150,000 | 135,492 | 5,153,083 |

Note: Part of the Company's production lines can alternately produce low-density polyethylene plastic pellets and ethylene vinyl acetate resins.

## (VI) Sales volume in the most recent two fiscal years

Unit: metric tons/NT$ thousands

| Year / Sales volume and value | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic Sales | | Exports | | Domestic Sales | | Exports | |
| Major Products | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Low-density polyethylene pellets | 33,882 | 1,387,642 | 11,152 | 416,559 | 33,906 | 1,501,710 | 9,560 | 405,875 |
| Ethylene vinyl acetate (EVA) resins | 5,335 | 249,232 | 85,591 | 3,603,296 | 6,026 | 286,017 | 96,362 | 4,503,458 |
| Others | 0 | 0 | 1,053 | 46,818 | 0 | 0 | 1,974 | 94,097 |
| Total | 39,217 | 1,636,874 | 97,796 | 4,066,673 | 39,932 | 1,787,727 | 107,896 | 5,003,430 |

# III. Information on employees in the last two years and as of the published date of the annual report

| Year | | 2020 | 2019 | Current fiscal year up to April 30, 2021 |
|---|---|---|---|---|
| Number of employees | Staff | 81 | 86 | 82 |
| | Workmen | 149 | 152 | 148 |
| | Total | 230 | 238 | 230 |
| Average Age | | 46.44 | 46.62 | 46.35 |
| Average years of services | | 16.97 | 17.38 | 16.79 |
| Distribution of academic qualifications | PhD/Master's degree | 14.35% | 13.86% | 14.78% |
| | Bachelor’s Degree | 44.79% | 42.02% | 46.09% |
| | Junior college | 16.52% | 18.91% | 16.09% |
| | High school/vocational high school | 22.17% | 22.69% | 20.87% |
| | Below high school | 2.17% | 2.52% | 2.17% |

# IV. Information on Environmental Protection Expenditure

(I) Total amount of losses (including compensation and violations of environmental protection regulations in the results of environmental protection audits, the date of the penalty, penalty document number, articles in regulations violated, contents of violation, and contents of penalties) and penalties incurred due to environmental pollution in the most recent fiscal year up to the publication date of this annual report, and disclose the estimated amount arising both at present and in the future and the corresponding countermeasures:

| Date | Disciplinary unit | Disciplinary official letter number | Date of violation | Laws violated | Penalty amount | Facts violated |
|---|---|---|---|---|---|---|
| April 1, 2020 | Environmental Protection Bureau of Kaohsiung City Government | Kaohsiung City Environmental Protection Bureau Official Letter No. Kong-Chu 20-109-040001 | March 10, 2020 | Item 1, Paragraph 1, Article 32 of the Air Pollution Control Act | NT$200,000 | March 10, 2020 the fourth production line safety valve jump off the exhaust gas combustion tower operation, generating |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | obvious fire and particle pollutant black smoke, resulting in pollution |
| May 11, 2020 | Environmental Protection Bureau of Kaohsiung City Government | Kaohsiung City Environmental Protection Bureau Official Letter No. Kong-Chu 20-109-050005 | March 10, 2020 | Paragraph 1, Article 23 of the Air Pollution Control Act | NT$100,000 | On March 10, 2020, the process waste gas is directed to the waste gas combustion tower for treatment. However, the conditions of use of the exhaust gas combustion tower use plan do not include annual repair (start/stop). |
| October 15, 2020 | Environmental Protection Bureau of Kaohsiung City Government | Kaohsiung City Environmental Protection Bureau Official Letter No. Kong-Chu 20-109-100008 | September 19, 2020 | Item 1, Paragraph 1, Article 32 of the Air Pollution Control Act | NT$1,080,000 | On September 19, 2020, the rupture disk of the reactor of the second production line ruptured and released pressure, resulting in the dispersion of obvious granular pollutants in the air and causing contamination. |
| January 7, 2021 | Environmental Protection Bureau of Kaohsiung City Government | Kaohsiung City Environmental Protection Bureau Official Letter No. Kong-Chu 20-110-010007 | November 10, 2020 | Paragraph 1, Article 20 of the Air Pollution Control Act | NT$675,000 | On November 10, 2020, the net leak detection value of two equipment components in process M03 of the third production line exceeded the control standard. |
| January 7, 2021 | Environmental Protection Bureau of Kaohsiung | Kaohsiung City Environmental Protection Bureau Official Letter No. | November 10, 2020 | Paragraph 1, Article 23 of the Air Pollution | NT$225,000 | On November 10, 2020, the separation tower line of the first production line M01 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | City Government | Kong-Chu 20-110-010008 | | Control Act | | process did not effectively collect the waste gas to the regenerative incinerator of the prevention equipment. |
| March 3, 2021 | Environmental Protection Bureau of Kaohsiung City Government | Kaohsiung City Environmental Protection Bureau Official Letter No. Kong-Chu 20-110-030001 | January 22, 2021 | Paragraph 1, Article 23 of the Air Pollution Control Act | NT$1,530,000 | On January 22, 2021, the rupture disk of the reactor of the first production line ruptured and released pressure, resulting in the dispersion of obvious granular pollutants in the air and causing pollution. |

(II) Corresponding countermeasures (including improvement measures) and possible expenditures

1. Improvement plans:

(1) Repair the reflux control valve and testing for leak-free on-line use.

(2) Perform reactor re-inspection and restart review to approve start-up production. The downtime is 45 days.

(3) Enhance inspections, maintenance, and update of equipment and components.

(4) Adjust the tank pressure to direct the escaping gas to the back-end containment equipment.

2. Major environmental expenditure in the most recent year and as of the publication of the annual report:

Unit: NT$ thousand

| Pollution prevention equipment or expenditure | 2020 |
|---|---|
| Replacement of old environmental volatile organic compound (VOC) detectors | 491 |

| | |
|---|---|
| Replacement of old occupational safety environmental monitoring computer system | 891 |
| Replacement of old water quality analyzers (spectrophotometers) | 420 |
| Recycling and disposal of nickel-cadmium batteries | 320 |
| Installation of cleaning system in automatic warehousing Hopper V-3007/V-3008 | 986 |
| Reinforcement of the top cover of pure water/soft water storage tank against corrosion | 1,811 |
| 2020 non-destructive inspection of plant-wide key pipelines | 1,193 |
| 2020 CUI inspections and insulation project | 4,130 |
| **Total** | 10,242 |

3. The Company's expected environmental protection expenditures in 2021 are as follows:

Unit: NT$ thousand

| Proposed Pollution Prevention Equipment or Expenditure | 2021 |
|---|---|
| Purchase of spare parts for reactors at no. 1, 2, 3 lines | 10,000 |
| Line1 V-1147 to V-1105 ethylene pipeline corrosion severe replacement | 1,000 |
| Replacement of waste gas combustion tower monitoring computer system | 7,000 |
| Intelligent pigging inspection project for underground pipelines in 2021 | 35,000 |
| 2021 CUI inspections and insulation project | 5,000 |
| 2021 Underground Pipeline Risk Assessment of New Version Model Import and Data Integration Service | 1,980 |
| 2021 non-destructive inspection of elevated key pipelines | 3,000 |
| **Total** | 62,980 |

(III) The Company's response to the implementation of Restriction of Hazardous Substances Directive (RoHS) in European Union:

The Company's products are tested according to the FDA inspection standards in the U.S., and the Company performs other food safety inspections according to customer requirements. In other words, the Company applies stricter requirements to its products than RoHS. However, in order to comply with European Union's requirements, the Company sent its products to undergo such testing, and has successfully obtained RoHS compliance and certification.

# V. Labor Relations

(I) Various employee welfare measures, continuing education, training, retirement system and their status of implementation, as well as agreements between the employer and employees and measures for protecting employee rights and interests:

1. Employee welfare measures

(1) In addition to labor insurance and health insurance, the Company also purchases group insurance for employees including their families, as well as travel insurance for employees who often engage in business travels, so as to adequately meet employees' needs for various types of insurance.

(2) The Company organizes regular health checkups for its employees and pays close attention to their health.

(3) An employee welfare committee has also been established to set up and promote various welfare measures including annual staff trips, marriage and funeral allowances, lunar new year benefits, birthday gifts, club activities, and other welfare measures. The Employee Welfare Committee is responsible for the custody and use of the employee welfare fund.

(4) According to the Company's Articles of Incorporation, if the Company posts a net profit in the current year, employee rewards shall not be less than one (1) percent of the Company's net profit for the current year, while performance bonus and year-end bonus shall also be distributed based on the Company's operating performance and individual performance.

2. Employee education and training

(1) The Company has always paid serious attention to employee education and training. Thus, the Company has formulated a set of standards for employee training procedures, as well as implemented various learning methods, including pre-employment training, on-the-job training, work instructions, classroom lectures, educational CDs, or online learning based on the training needs of individual employees and departments in order to enhance employees'

qualities and skills.

(2) For new employee training, in addition to work instructions at various departments, the Company has planned new employee certification courses and organized reading sharing sessions so that new employees can quickly adapt to the new work environment.

(3) In order to combine both employee training and promotion, the Company has specifically established general education courses for promotion in order to motivate employees to learn and study actively. Employees must complete the prescribed courses before they can be officially promoted.

(4) The Company organizes training for the low-, middle-, and senior-level management personnel to strengthen the management function of the management and enhance their managerial skills. In addition, an in-house EMBA program is launched to strengthen the problem-solving and decision-making abilities of the middle-, and senior-level management and to train successors.

(5) For employees who demonstrate a strong willingness to learn and develop their potential, the Company provides grants for further education in domestic universities, which are supplemented with career adjustments in their respective positions in order to cultivate leaders required by enterprises.

(6) Employee training is well documented and each employee shall attend at least eight hours of training a year, which is taken into account in the performance appraisal.

(7) At the end of each course, the Company conducts employee opinion surveys and prepares review reports. Satisfaction surveys will also be conducted at the end of each year to collect employees' opinions and recommendations on employee training as a reference for improving training.

(8) The Company's employee training expenditure in the most recent fiscal year:

The training items for 2020 are listed in the Appendix section, and the Company's annual employee training expenditure for 2019 was NT$987 thousand.

| Course title | Recipients | Course title | Recipients |
|---|---|---|---|
| Group EMBA Program Training | Chen, Chun-Hung/Hsieh, Wang-Chuan | Annual repair period downtime disaster drill | Engineering Section/Industrial Safety Office |
| Introduction of Hazardous Machines and Equipment System | Employees at the Linyuan Plant | Insider Trading Practical Cases and Related Legal Liabilities | Employees at the Linyuan Plant |
| Employee Health & Safety Affairs Manager (Class A) | Hsu, Ting-Hsiang | Trademark and patent right | Employees at the Linyuan Plant |
| 2020 training for underground pipeline response personnel | Employees at the Linyuan Plant | Best Practices for Achieving Zero Disaster | Liao, Wen-Shih |
| 2020 Labor Education And Training | Employees at the Linyuan Plant | Use of Rolling Bearings and Failure Countermeasures | Machine Repair Section |
| 2020 Ionizing Radiation Safety Training | Instruments and Electrical Section personnel | Energy Management System Operation Focus Training | Hu, Sen-Cheng |
| 2020 Corrosion and Corrosion Prevention Workshop | Huang, Yuan-Hung | Process Safety Assessment Personnel On-The-Job Training | Manufacturing Methods Section/Process Section |
| Occupational Disaster Causes And Human Factors Engineering Seminar 2020 | Lin, Shih-Wei | Process Pipeline Integrity Management Training | Huang, Yuan-Hung |
| Introduction to the Application of 6 Sigma in Chemicals and Materials | Employees at the Linyuan Plant | Digital Transformation Practice Sharing Seminar | All employees |
| Insulation Layer Analysis Technical Training | Employees at the Linyuan Plant | ISO9001 SGS Training Fee | Chang, Te-Kai |
| ISO 50001 Training for Internal Auditors of Energy Management Systems | Hu, Sen-Cheng | Internal Audit Guidelines for Sales and Collection Cycles and Compliance with Laws and Regulations | Chuang, Chia-Fang |
| Tank Safety Protection and Ancillary Equipment Products Introduction and Technical Exchange | Machine Repair Section personnel | On Business Strategy and Corporate Governance in Response to the Risks of Unsustainable Development of the World | Chen, Jung-Hsiung |
| Training for Acetylene Welding Operation | Chen, Tai-Tui/ Liu, I-Fan | How Internal Auditors Interpret Business Performance and Identify Risks from IFRS Financial Statements | Lin, Chia-Huei |

| Course title | Recipients | Course title | Recipients |
|---|---|---|---|
| Class B Boiler Operation | Liu, Cheng-Yen | 2020 Accounting Manager Continuing Education Courses | Chen, Cheng-Shun |
| Training on Labor Act for HR Personnel | Chou, Wen-Hsien/ Hsu, Wen-Ching | Corporate Sustainability Elite Training | Chen, Jung-Hsiung |
| Training for Operation of Fixed Cranes with Hoisting Capacity of 3 Tons or More | Synthesis Section/Mechanical Repairs Section | Consulting Sales Techniques. Business Negotiation Skills | All employees |
| Safety and Health Training for Union Managers and Supervisors and Member Representatives | Synthesis Section/Mechanical Repairs Section | Combining System Data and Network Resources to Analyze Potential Fraud Incidents | Lin, Chia-Huei |
| Labor Act Training for Business Executives | Chou, Wen-Hsien/ Hsu, Wen-Ching | Radiation Protection Continued Training | Instruments and Electrical Section |
| Process Safety Training For Hazardous Workplaces | Hsu, Ting-Hsiang | Fire Prevention Personnel Training | Lin, Shih-Wei |
| Training on Inspection of Hazardous Machines and Equipment | Liao, Wen-Shih | Accurate Briefing and Communication Skills for Boss To Pay the Bill | All employees |
| Dangerous Goods Security Supervision Personnel Training | Hsu, Ting-Hsiang | High-Pressure Gas Manufacturing Safety Operation Training for Supervisors | Synthesis Section/Manufacturing Methods Section |
| Organic Solvent Operations Supervisor Training | Synthesis Section/Experiment Section | Health Risk Assessment Training | Hsu, Chun-Wei |
| First Aid Personnel Training | Synthesis Section/Work Safety Section | Health Talk: Pulmonary Nodules | Employees at the Linyuan Plant |
| Supervisors of Specific Chemical Operations | Synthesis Section personnel | Health Talk: Say Goodbye to Three Highs | Employees at the Linyuan Plant |
| Training for Supervisors of Dust Operations | Synthesis Section/Manufacturing Methods Section | Forklift operations training | Synthesis Section/Manufacturing Methods Section |
| Leadership and Communication / Crisis Management Training | Employees at the Linyuan Plant | 2020 Accounting Manager Continuing Education Courses | Chan, Mei-Lan |
| Training for Supervisor of Oxygen-Deficient Operations | Synthesis Section/Manufacturing Methods Section | Type 1 Pressure Vessel Operation Training | Synthesis Section personnel |
| Crane Operation Training | Synthesis Section personnel | Ionizing Radiation Protection Continuing Education Training | Mechanics Section/Inspection |

| Course title | Recipients | Course title | Recipients |
|---|---|---|---|
| | | | Section |
| Training for Special High-Pressure Gas Equipment Operation | Synthesis Section personnel | Group Mid-Level Executive Training | Employees at the Linyuan Plant |
| Training On Occupational Safety and Health Act | Human Resources Unit | New Electronic Document and Action Signing Training | Employees at the Linyuan Plant |
| Industrial Chemical Management Prevention and Response Training | Liu, Yu-Chih | Safety and Health Training for New Recruits | Employees at the Linyuan Plant |

3. Retirement measures and status of implementation

   The Company handles employee retirement in accordance with the Labor Standards Act. The Company contributes 10 percent of the amount of each employee's monthly salary as pension reserve fund to a special account in Bank of Taiwan, and establishes a Labor Pension Reserve Fund Supervision Committee to manage and monitor such transactions. According to the Labor Pension Statutes, the Company contributes 6 percent of the amount of salary of employees, who choose to follow the new system, to their personal labor pension accounts on a monthly basis.

4. Protection measures for agreements between the employer and employees and all employee rights

   To establish excellent labor relations, the Company communicates with the representatives of the labor union to exchange ideas and opinions. The Company has also set up a suggestion mailbox so that employees can give their opinions and feedback to the Company.

5. Related certifications obtained from the relevant competent authorities by personnel associated with the transparency of financial information:

| Departments | Name | Relevant Certification |
|---|---|---|
| Accounting Division | Chen, Cheng-Shun | Passed the Accountant Examination in the 2008 Advanced Examination for Professional and Technical Personnel held by the Ministry of Examination<br>Certificate No.: (97) Chuan Kao Hui Tzu No. 000012 |

| Departments | Name | Relevant Certification |
|---|---|---|
| | | Continuous Studies registration seal for Accounting Supervisor of Securities Issuers, Accounting Research and Development Foundation registration seal (September 10, 2020 - September 11, 2020) |
| Auditing Office | Lin, Chia-Huei | International Certified Internal Auditor certification<br>Certificate No.: Chi Hsieh Cheng Tzu No. 1060022. |
| | | The Institute of Internal Auditors, R.O.C.<br>Certificate No.: Chi Hsieh Bei Cheng Fa Tzu No. 1092979 |
| | | Computer Audit Association<br>Certificate No.: Tien Hsieh Cheng Tzu No. 1090869 |

6. Employees' code of conduct or ethics

In accordance with the Labor Standards Act and relevant laws, employees' work rules and various management systems (described below) have been established in order to maintain discipline and order among employees in the workplace.

(1) Every employee is given an Employee Work Rules Handbook which specifies the behavior or work ethic of employees, including employment, dismissal, working hours, vacation, leave, rewards and punishments, performance appraisal, retirement and welfare.

(2) Pre-employment training for new employees covers basic education on ethics, environmental protection, occupational safety and health management.

(3) Signing of Letter of Undertaking by employees: This document establishes employees' commitment towards maintaining the confidentiality of information regarding the Company's tangible and intangible operating assets, and prevents employees from infringing on the interests of the Company.

(4) The Codes of Ethical Conduct for Directors and Managerial Officers are disclosed on the Company’s website.

Please refer to the Company's website for the Employee Work Rules under the Corporate Governance section under Investor Services on the Company's website (http://www.apc.com.tw).

7. Protection measures for work environment and employees' personal

safety

The Company upholds the spirit of continuous improvement and the pursuit of perfection. Apart from continuously investing in hardware facilities to enhance pollution prevention and fire safety equipment so as to directly reduce pollutant emissions and increase production safety, the Company has also incorporated an environmental management system (ISO 14001) and an occupational health and safety management system (ISO 45001) to set up an excellent management system through Plan, Do, Check and Act (PDCA), thereby providing employees with a safe and healthy work environment. With regard to the legal environment, the Company has actively initiated the certification procedures for the new Occupational Safety and Health Management System to strengthen occupational safety and health management, enhance corporate image, pay attention to and comply with international development trends, and respond to increasingly rigorous legal requirements. We have implemented actions for improving occupational safety and health management performance and reducing risks.

With regard to employees' personal safety protection, the Company not only provides employees with personal protective equipment such as goggles, earplugs and earmuffs, as well as vertical fall arresters, but also continuously offers training related to employee safety, with hopes that manufacturing equipment can run safely in plants, thereby achieving production goals in a smooth manner.

(II) List the losses suffered due to labor disputes in the most recent fiscal year up to the publication date of this annual report, and disclose the estimated amount for current and possible future occurrences, and response measures. If the amount cannot be reasonably estimated, clarify the reason:

Labor relations in the Company are harmonious. As of the publication date of this annual report, there has been no labor disputes and losses arising. Such incidents are not expected to happen in the future as well.

# VI.Important Contracts

| Nature of Contract | Principal | Contract Start/End Date | Main Content | Restrictive Provisions |
|---|---|---|---|---|
| Material Purchase Contract | CPC Corporation | 2021.01.01-2021.12.31 | Annual contract volume and pricing for ethylene and propylene supply. | None |
| Material Purchase Contract | Mitsubishi Corporation | 2021.01.01-2021.12.31 | Annual contract volume and pricing for ethylene supply. | None |
| Material Purchase Contract | Mitsui | 2021.01.01-2021.12.31 | Annual contract volume and pricing for ethylene supply. | None |
| Material Purchase Contract | BASF | 2021.01.01-2021.12.31 | Annual contract volume and pricing for ethylene supply. | None |
| Material Purchase Contract | Dairen Chemical Corporation | 2021.01.01-2021.12.31 | Annual contract volume and pricing for vinyl acetate supply. | None |
| Joint Venture Contract | Joint venture with companies including Ho Tung Chemical Corporation, LCY Group, USI, Hsintay Petroleum Co., Ltd., Chenergy Global Co., Ltd., Lien Hwa International Corporation and CTCI Corporation | 2016.09.30 | The Company and seven other companies jointly invested in the Gulei Industrial Park located in Zhangzhou, Fujian Province, China, to produce petrochemical-related products. | Yes |

| Nature of Contract | Principal | Contract Start/End Date | Main Content | Restrictive Provisions |
|---|---|---|---|---|
| Medium-term Loan Lending Limit Contract | Bank SinoPac | 2019.06.30~2022.06.30 | APC and Bank SinoPec signed a three-year medium-term secured lending limit contract worth NT$ 500 million, where it can be used cyclically. | Based on the latest consolidated annual report of APC, its current ratio shall not be less than 100%, and the ratio of dividing its financial liabilities by net value shall not be greater than 100%. |
| Medium-term Loan Lending Limit Contract | Taishin International Bank | 2019.06.20~2022.06.20 | APC and Taishin International Bank signed a three-year medium-term lending limit contract worth NT$500 million, which is a revolving loan facility. | Based on the consolidated annual/semi-annual report of APC, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 150%. |
| Medium-term Loan Lending Limit Contract | E.Sun Bank | 2020.08.04~2023.08.04 | APC and First Bank signed a three-year medium-term secured lending limit contract worth NT$300 million, where it can be used cyclically. | None |
| Medium-term Loan Lending Limit Contract | Chang Hwa Commercial Bank | 2019.07.01~2022.06.30 | APC and Chang Hwa Bank signed a three-year medium-term lending limit contract worth NT$500 million, which is a revolving loan facility. | None |

| Nature of Contract | Principal | Contract Start/End Date | Main Content | Restrictive Provisions |
|---|---|---|---|---|
| Medium-term Lending and Commercial Paper Guarantee Comprehensive Limit Contract | Shin Kong Bank | 2020.11.12~2023.11.12 | APC and Shin Kong Bank signed a three-year medium-term lending and commercial paper guarantee comprehensive limit contract worth NT$450 million, which is a revolving loan facility. | Based on the consolidated annual/semi-annual report of APC, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 150%. |
| Medium-term Lending and Commercial Paper Guarantee Comprehensive Limit Contract | KGI Bank | 2020.09.10~2023.09.10 | APC and Far Easter International Bank signed a three-year medium-term lending and commercial paper guarantee comprehensive limit contract worth NT$600 million, which is a revolving loan facility. | None |
| Medium-term Loan Lending Limit Contract | Taipei Fubon Commercial Bank Co., Ltd. | 2019.12.19~2022.12.12 | APC and Taipei Fubon Commercial Bank signed a three-year medium-term lending limit contract worth NT$500 million, which is a revolving loan facility. | Based on the consolidated annual/semi-annual report of APC, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 150%. Its net value shall not be less than NT$7 billion. |
| Medium-term Loan Lending Limit Contract | First Commercial Bank | 2020.10.12~2023.10.12 | APC and First Bank signed a three-year medium-term secured lending limit contract worth NT$500 million, which is a revolving loan facility. | None |

| Nature of Contract | Principal | Contract Start/End Date | Main Content | Restrictive Provisions |
|---|---|---|---|---|
| Medium-term Lending and Commercial Paper Guarantee Comprehensive Limit Contract | Far Easter International Bank | 2021.02.03~2024.02.03 | APC and Far Easter International Bank signed a three-year medium-term lending and commercial paper guarantee comprehensive limit contract worth NT$500 million, which is a revolving loan facility. | Based on the consolidated financial statements of APC, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 150%. |
| Medium-term Loan Lending Limit Contract | Hua Nan Bank | 2019.03.22~2022.03.22 | APC and Hua Nan Bank signed a three-year medium-term lending limit contract worth NT$500 million, which is a revolving loan facility. | None |
| Medium-term Loan Lending Limit Contract | Bank of China, Taipei Branch | 2019.12.02~2022.12.01 | APC and Bank of China, Taipei Branch, signed a three-year medium-term lending limit contract worth NT$300 million, which is a revolving loan facility. | Based on the consolidated annual/semi-annual report of APC, its current ratio shall not be less than 100%, and its debt ratio (debt/net value) shall not be greater than 50%. Its tangible net value shall not be less than NT$7 billion. |
| Medium-term Loan Lending Limit Contract | Entie Commercial Bank | 2019.09.27~2022.09.27 | APC and Entie Commercial Bank signed a three-year medium-term lending limit contract worth NT$500 million, which is a revolving loan facility. | None |

# Chapter VI Financial Summary

## I. Condensed financial report for the last five years

### (I) Condensed balance sheet and statement of comprehensive income

#### 1. Condensed Consolidated Balance Sheets - International Financial Reporting Standards (IFRS)

Unit: NT$ thousands

| Item \ Year | | Financial Information in the Most Recent Five Years | | | | | Financial data up to March 31, 2021 (reviewed) |
|---|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2018 | 2017 | 2016 | |
| Current assets | | 2,964,269 | 4,940,438 | 4,606,590 | 5,136,436 | 6,220,412 | 3,207,913 |
| Property, plant and equipment | | 3,257,676 | 3,277,233 | 3,502,692 | 3,630,950 | 3,795,553 | 3,314,341 |
| Intangible assets | | 18 | 53 | 88 | 318 | 1,272 | 9 |
| Other assets | | 10,661,540 | 8,705,367 | 7,488,373 | 6,108,297 | 4,652,792 | 11,107,027 |
| Total assets | | 16,883,503 | 16,923,091 | 15,597,743 | 14,876,001 | 14,670,029 | 17,629,290 |
| Current Liabilities | Before distribution | 1,479,196 | 2,469,828 | 2,603,655 | 2,338,563 | 2,425,963 | 2,031,600 |
| | After distribution | (Note 6) | 2,802,458 | 2,769,970 | 2,442,186 | 2,727,777 | - |
| Non-current liabilities | | 3,294,762 | 4,223,443 | 3,389,652 | 2,720,968 | 2,746,861 | 2,541,912 |
| Total liabilities | Before distribution | 4,773,958 | 6,693,271 | 5,993,307 | 5,059,531 | 5,172,824 | 4,573,512 |
| | After distribution | (Note 6) | 7,025,901 | 6,159,622 | 5,163,154 | 5,474,638 | - |
| Equity attributable to owners of the parent company | | | | | | | |
| Capital | | 5,821,018 | 5,543,827 | 5,543,827 | 5,181,147 | 5,030,240 | 5,821,018 |
| Capital surplus | | 33,272 | 24,400 | 19,619 | 16,434 | 14,046 | 33,274 |
| Retained earnings | Before distribution | 5,253,769 | 4,785,613 | 4,101,347 | 4,254,352 | 4,153,022 | 5,808,885 |
| | After distribution | (Note 6) | 4,175,792 | 3,935,032 | 3,788,049 | 3,700,301 | - |
| Other equity | | 1,001,486 | (124,020) | (60,357) | 364,537 | 299,897 | 1,392,601 |
| Treasury stocks | | - | - | - | - | - | - |
| Equity of prior parties under common control | | - | - | - | - | - | - |
| Total equity | Before distribution | 12,109,545 | 10,229,820 | 9,604,436 | 9,816,470 | 9,497,205 | 13,055,778 |
| | After distribution | (Note 6) | 9,897,190 | 9,438,121 | 9,712,847 | 9,195,391 | - |

If the Company has prepared a parent company only financial report, the Company shall prepare parent company only condensed balance sheet and statement of comprehensive income for the last five years.

* If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note 1: Financial statements not audited by CPAs should be noted.

Note 2: When the asset revaluation was conducted in the year, the date and revaluation increment should be listed.

Note 3: As of the publication date of the annual report, companies that have been listed or have been traded at TPEx should disclose the financial information of the most recent period audited or reviewed by CPAs.

Note 4: For the "after distribution" figures, please fill in in accordance with resolutions of the shareholders' meeting in the following year.

Note 5: Where the Company is notified by the authority in charge that its financial information shall be corrected or re-prepared, the Company shall compile its financial information using the corrected or re-prepared figures, and shall indicate related circumstances and reasons.

Note 6: The 2020 earnings distribution proposal is pending approval of the shareholders' meeting.

## 2. Condensed Consolidated Statement of Comprehensive Income - IFRS

Unit: NT$ thousands

| Year / Item | Financial Information in the Most Recent Five Years | | | | | Financial data up to March 31, 2021 (reviewed) |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | |
| Operating Revenue | 5,703,546 | 6,791,157 | 6,375,134 | 6,404,467 | 5,893,335 | 1,852,605 |
| Gross profit | 1,129,152 | 1,035,448 | 284,466 | 697,076 | 779,859 | 642,859 |
| Operating Income | 922,303 | 798,407 | 71,982 | 470,890 | 567,669 | 571,990 |
| Total non-operating revenue and expenses | 363,108 | 186,434 | 244,881 | 184,863 | 225,259 | 96,932 |
| Net profit before tax | 1,285,411 | 984,841 | 316,863 | 655,753 | 792,928 | 668,922 |
| Net profit from continuing operations in the current period | 1,103,587 | 821,021 | 286,826 | 565,354 | 670,939 | 555,116 |
| Loss from discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Net income (loss) for the period | 1,103,587 | 821,021 | 286,826 | 565,354 | 670,939 | 555,116 |
| Other comprehensive income( loss) for the year, net of income tax | 1,099,896 | (30,290) | (445,775) | 53,337 | 423,009 | 391,115 |
| Total comprehensive income for the year | 2,203,483 | 790,731 | (158,949) | 618,691 | 1,093,948 | 946,231 |
| Net income attributable to owners of the parent company | 1,103,587 | 821,021 | 286,826 | 565,354 | 665,825 | 555,116 |
| Net income attributable to equity of prior parties under common control | 0 | 0 | 0 | 0 | 5,114 | 0 |
| Total comprehensive income attributable to owners of the parent company | 2,203,483 | 790,731 | (158,949) | 618,691 | 1,097,395 | 946,231 |
| Total comprehensive income attributable to equity of prior parties under joint control | 0 | 0 | 0 | 0 | (3,447) | 0 |
| Earnings (loss) per share Unit: NT$ | 1.90 | 1.41 | 0.49 | 0.97 | 1.15 | 0.95 |

If the Company has prepared a parent company only financial report, the Company shall prepare parent company only condensed balance sheet and statement of comprehensive income for the last five years.

* Where financial information is prepared for less than five years using IFRS, financial information in Table 2 below shall also be prepared using the Financial Accounting Standards of the Republic of China.

Note 1: Financial statements not audited by CPAs should be noted.

Note 2: As of the publication date of the annual report, companies that have been listed or have been traded at TPEx should disclose the financial information of the most recent period audited or reviewed by CPAs.

Note 3: The loss of discontinued business unit should be presented as the net amount after the deduction of income tax.

Note 4: Where the Company is notified by the authority in charge that its financial information shall be corrected or re-prepared, the Company shall compile its financial information using the corrected or re-prepared figures, and shall indicate related circumstances and reasons.

## 3. Condensed parent company only balance sheets - IFRS

Unit: NT$ thousands

| Year / Item | | Financial Information in the Most Recent Five Years | | | | |
|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2018 | 2017 | 2016 |
| Current assets | | 2,546,721 | 4,513,983 | 4,224,762 | 4,790,574 | 5,886,078 |
| Property, plant and equipment | | 3,257,029 | 3,276,337 | 3,502,460 | 3,630,715 | 3,795,283 |
| Intangible assets | | 18 | 53 | 88 | 318 | 1,272 |
| Other assets | | 11,013,329 | 9,065,795 | 7,787,269 | 6,398,467 | 4,935,438 |
| Total assets | | 16,817,097 | 16,856,168 | 15,514,579 | 14,820,074 | 14,618,071 |
| Current Liabilities | Before distribution | 1,430,238 | 2,419,838 | 2,535,193 | 2,294,782 | 2,381,788 |
| | After distribution | (Note 1) | 2,752,468 | 2,701,508 | 2,398,405 | 2,683,602 |
| Non-current liabilities | | 3,277,314 | 4,206,510 | 3,374,950 | 2,708,822 | 2,739,078 |
| Total liabilities | Before distribution | 4,707,552 | 6,626,348 | 5,910,143 | 5,003,604 | 5,120,866 |
| | After distribution | (Note 1) | 6,958,978 | 6,076,458 | 5,107,227 | 5,422,680 |
| Equity attributable to owners of the parent company | | | | | | |
| Capital | | 5,821,018 | 5,543,827 | 5,543,827 | 5,181,147 | 5,030,240 |
| Capital surplus | | 33,272 | 24,400 | 19,619 | 16,434 | 14,046 |
| Retained earnings | Before distribution | 5,253,769 | 4,785,613 | 4,101,347 | 4,254,352 | 4,153,022 |
| | After distribution | (Note 1) | 4,175,792 | 3,935,032 | 3,788,049 | 3,700,301 |
| Other equity | | 1,001,486 | (124,020) | (60,357) | 364,537 | 299,897 |
| Treasury stocks | | - | - | - | - | - |
| Equity of prior parties under joint control | | - | - | - | - | - |
| Total equity | Before distribution | 12,109,545 | 10,229,820 | 9,604,436 | 9,816,470 | 9,497,205 |
| | After distribution | (Note 1) | 9,897,190 | 9,438,121 | 9,712,847 | 9,195,391 |

If the Company has prepared a parent company only financial report, the Company shall prepare parent company only condensed balance sheet and statement of comprehensive income for the last five years.

* Where financial information is prepared for less than five years using IFRS, financial information in Table 2 below shall also be prepared using the Financial Accounting Standards of the Republic of China.

Note 1: The 2020 earning distribution proposal is pending approval of the shareholders' meeting.

Note 2: If the financial information is notified by the competent authority that it should be corrected or restated, it should be presented with the corrected or restated figures, and indicates the circumstances and reasons.

## 4. Condensed parent company only Statement of Comprehensive Income - IFRS

Unit: NT$ thousands

| Item \ Year | Financial Information in the Most Recent Five Years | | | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Operating Revenue | 5,514,958 | 6,578,064 | 6,099,879 | 6,241,496 | 5,749,060 |
| Gross profit | 1,109,078 | 1,017,768 | 269,864 | 684,769 | 766,414 |
| Operating Income | 909,643 | 788,914 | 65,096 | 466,972 | 564,723 |
| Total non-operating revenue and expenses | 371,112 | 194,025 | 249,768 | 185,707 | 225,541 |
| Net profit before tax | 1,280,755 | 982,939 | 314,864 | 652,679 | 790,264 |
| Net profit from continuing operations in the current period | 1,103,587 | 821,021 | 286,826 | 565,354 | 670,939 |
| Loss from discontinued operations | 0 | 0 | 0 | 0 | 0 |
| Net income (loss) for the period | 1,103,587 | 821,021 | 286,826 | 565,354 | 670,939 |
| Other comprehensive income( loss) for the year, net of income tax | 1,099,896 | (30,290) | (445,775) | 53,337 | 423,009 |
| Total comprehensive income for the year | 2,203,483 | 790,731 | (158,949) | 618,691 | 1,093,948 |
| Net income attributable to owners of the parent company | 1,103,587 | 821,021 | 286,826 | 565,354 | 665,825 |
| Net income attributable to equity of prior parties under common control | 0 | 0 | 0 | 0 | 5,114 |
| Total comprehensive income attributable to owners of the parent company | 2,203,483 | 790,731 | (158,949) | 618,691 | 1,097,395 |
| Total comprehensive income attributable to equity of prior parties under joint control | 0 | 0 | 0 | 0 | (3,447) |
| Earnings (loss) per share Unit: NT$ | 1.90 | 1.41 | 0.49 | 0.97 | 1.15 |

If the Company has prepared a parent company only financial report, the Company shall prepare parent company only condensed balance sheet and statement of comprehensive income for the last five years.

* If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP should be prepared in table (2) below.

Note: If the financial information is notified by the competent authority that it should be corrected or restated, it should be presented with the corrected or restated figures, and indicates the circumstances and reasons.

## (II) Names of auditing CPAs of the last five years and their audit opinions

| Year | Name of CPAs | Auditor Opinion |
|---|---|---|
| 105 | Huang, Hsiu-Chun, Wu, Shih-Tsung | Unqualified opinion |
| 106 | Huang, Hsiu-Chun, Wu, Shih-Tsung | Unqualified opinion |
| 107 | Huang, Hsiu-Chun, Wu, Shih-Tsung | Unqualified opinion |
| 108 | Chiu, Cheng-Chun , Huang, Hsiu-Chun | Unqualified opinion |
| 109 | Chiu, Cheng-Chun , Huang, Hsiu-Chun | Unqualified opinion |

# II. Financial Analysis of the Most Recent Five Fiscal Years

## (I) Financial analysis - IFRS

### APC and Subsidiaries

| Item | Year | Financial Information in the Most Recent Five Years | | | | | Financial data up to March 31, 2021 (reviewed) |
|---|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2018 | 2017 | 2016 | |
| Financial Structure (%) | Debt-to-assets ratio | 28.28 | 39.55 | 38.42 | 34.01 | 35.26 | 25.94 |
| | Ratio of long-term capital to property, plant and equipment | 472.86 | 441.02 | 370.97 | 345.29 | 322.59 | 470.61 |
| Solvency (%) | Current ratio | 200.40 | 200.03 | 176.93 | 219.64 | 256.41 | 157.90 |
| | Quick ratio | 170.86 | 178.63 | 142.04 | 181.81 | 221.92 | 129.89 |
| | Interest coverage ratio (times) | 31.22 | 18.54 | 8.89 | 16.70 | 37.22 | 91.68 |
| Operation ability | Receivables turnover rate (times) | 7.65 | 8.34 | 8.59 | 8.40 | 8.56 | 9.59 |
| | Average collection days | 48 | 44 | 43 | 43 | 43 | 38 |
| | Inventory turnover rate (times) | 13.09 | 9.87 | 7.90 | 7.95 | 6.97 | 12.85 |
| | Payables turnover rate (times) | 19.28 | 21.79 | 23.47 | 23.19 | 16.25 | 14.76 |
| | Average days for sale | 28 | 37 | 46 | 46 | 52 | 28 |
| | Property, plant and equipment turnover rate (times) | 1.75 | 2.00 | 1.79 | 1.72 | 1.59 | 2.26 |
| | Total asset turnover rate (times) | 0.34 | 0.42 | 0.42 | 0.43 | 0.47 | 0.43 |
| Profitability | Return on assets (%) | 6.73 | 5.33 | 2.09 | 4.06 | 5.52 | 13.00 |
| | Return on equity (%) | 9.88 | 8.28 | 2.95 | 5.85 | 7.32 | 17.65 |
| | Ratio of net profit before tax to paid-in capital (%) (Note 7) | 22.08 | 17.76 | 5.72 | 12.66 | 15.76 | 45.97 |
| | Net profit ratio (%) | 19.35 | 12.09 | 4.50 | 8.83 | 11.38 | 29.96 |
| | Basic earnings (loss) per share (NT$) (Note 3) | 1.90 | 1.48 | 0.52 | 1.09 | 1.32 | 0.95 |
| | Earnings (loss) per share after retrospective adjustment (NT$) (Note 4) | 1.90 | 1.41 | 0.49 | 0.97 | 1.15 | 0.95 |
| Cash flow | Cash flow ratio (%) | 194.59 | 20.19 | -4.16 | 41.21 | -28.75 | 126.07 |
| | Cash flow adequacy ratio (%) | 155.17 | 40.30 | 50.18 | 51.59 | 40.61 | - |
| | Cash reinvestment ratio (%) | 12.78 | 1.78 | -1.25 | 4.04 | -6.28 | 12.68 |
| Leverage | Operating leverage | 2.15 | 2.71 | 14.17 | 2.46 | 2.44 | 1.42 |
| | Financial leverage | 1.05 | 1.08 | 2.26 | 1.10 | 1.04 | 1.01 |

Reasons for changes in financial ratios in the past two years:

1. Debt-to-assets ratio: Due to partial repayment of bank borrowings during the year.
2. Interest coverage ratio, return on assets, ratio of net income before income tax to paid-in capital, net profit margin and basic earnings per share: Due to the increase in net income before (after) tax this year.
3. Inventory turnover rate and average days for sale: Due to the decrease in average inventory .
4. Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Due to the increase in net cash inflow from operating activities.
5. Leverage: Due to the increase in operating income.

*If the Company has prepared a parent company only financial report, it shall prepare a parent company only financial analysis.

*If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP shall be prepared in table (2) below.

Note 1: Years not audited by CPAs should be noted.

Note 2: As of the publication date of the annual report, companies that have been listed or have been traded at TPEx should analyze the financial information of the most recent period audited or reviewed by CPAs.

## (II) Financial analysis - IFRS

### APC

| Item | | Financial Information in the Most Recent Five Years (Year) | | | | |
|---|---|---|---|---|---|---|
| | | 2020 | 2019 | 2018 | 2017 | 2016 |
| Financial | Debt-to-assets ratio | 27.99 | 39.31 | 38.09 | 33.76 | 35.03 |
| | Ratio of long-term capital to property, plant and equipment | 472.42 | 440.62 | 370.58 | 344.98 | 322.41 |
| Solvency | Current ratio | 178.06 | 186.54 | 166.64 | 208.76 | 247.13 |
| | Quick ratio | 148.76 | 166.41 | 131.97 | 170.96 | 212.51 |
| | Interest coverage ratio (times) | 31.11 | 18.50 | 8.84 | 16.63 | 37.09 |
| Operation ability | Receivables turnover rate (times) | 7.20 | 7.91 | 8.01 | 8.00 | 8.32 |
| | Average collection days | 51 | 46 | 46 | 46 | 44 |
| | Inventory turnover rate (times) | 13.68 | 10.10 | 7.79 | 7.89 | 6.87 |
| | Payables turnover rate (times) | 21.81 | 25.81 | 27.85 | 26.83 | 17.60 |
| | Average days for sale | 27 | 36 | 47 | 46 | 53 |
| | Property, plant and equipment turnover rate (times) | 1.69 | 1.94 | 1.71 | 1.68 | 1.55 |
| | Total asset turnover rate (times) | 0.33 | 0.41 | 0.40 | 0.42 | 0.46 |
| Profitability | Return on assets (%) | 6.76 | 5.35 | 2.10 | 4.08 | 5.55 |
| | Return on equity (%) | 9.88 | 8.28 | 2.95 | 5.85 | 7.32 |
| | Ratio of net profit before tax to paid-in capital (%) (Note 7) | 22.00 | 17.73 | 5.68 | 12.60 | 15.71 |
| | Net profit ratio (%) | 20.01 | 12.48 | 4.70 | 9.06 | 11.67 |
| | Basic earnings (loss) per share (NT$) (Note 3) | 1.90 | 1.48 | 0.52 | 1.09 | 1.32 |
| | Earnings (loss) per share after retrospective adjustment (NT$) (Note 4) | 1.90 | 1.41 | 0.49 | 0.97 | 1.15 |
| Cash flow | Cash flow ratio (%) | 198.29 | 19.85 | -4.05 | 40.27 | -30.57 |
| | Cash flow adequacy ratio (%) | 150.84 | 32.23 | 47.15 | 48.53 | 37.60 |
| | Cash reinvestment ratio (%) | 12.58 | 1.68 | -1.21 | 3.81 | -6.48 |
| Leverage | Operating leverage | 1.97 | 2.47 | 11.44 | 2.13 | 2.20 |
| | Financial leverage | 1.05 | 1.08 | 2.61 | 1.10 | 1.04 |

Reasons for changes in financial ratios in the past two years:
1. Debt-to-assets ratio: Due to partial repayment of bank borrowings during the year.
2. Interest coverage ratio, return on assets, ratio of net income before income tax to paid-in capital, net profit margin and basic earnings per share: Due to the increase in net income before (after) tax this year.
3. Inventory turnover rate and average days for sale: Due to the decrease in average inventory .
4. Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio: Due to the increase in net cash inflow from operating activities.
5. Leverage: Due to the increase in operating income.

*If the Company has prepared a parent company only financial report, it shall prepare a parent company only financial analysis.

*If the financial information under international financial reporting standards is less than 5 years, the financial information under ROC GAAP shall be prepared in table (2) below.

Note 1: Years not audited by CPAs should be noted.

Note 2: As of the publication date of the annual report, companies that have been listed or have been traded at TPEx should analyze the financial information of the most recent period audited or reviewed by CPAs.

Note 3: At the end of the annual report, the following formula should be presented:

1. Financial structure
   (1) Liabilities-to-asset ratio = Total liabilities/Total assets.
   (2) Proportion of long-term capital in property, plant, and equipment = (Total equities + non-current liabilities)/(Total net value of property, plant, and equipment).
2. Solvency (%)
   (1) Current ratio = Current assets/Current liabilities
   (2) Quick ratio = (Current assets - inventory - prepaid expenses)/Current liabilities

(3) Interest coverage ratio = Income before income tax and interest expense/Interest expense of the current period

3. Operating performance
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net sale/average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average collection days = 365/Receivables turnover
   (3) Inventory turnover = cost of sales/average inventories
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = net sales revenue/average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days for sale = 365/inventory turnover
   (6) Property, plant and equipment turnover = Net sales/Average property, plant and equipment
   (7) Total asset turnover rate = Net sales/Average total assets
4. Profitability
   (1) Return on assets = [net income after taxes + interest expense x (1 - tax rate)]/average total assets
   (2) Return on equity = net income after taxes/average equity
   (3) Net profit margin = net income after taxes/net sales
   (4) Earnings per share = (net income (loss) attributable to owners of the parent company - preferred stock dividend)/weighted average number of shares outstanding (Note 4)
5. Cash flows
   (1) Cash flow ratio = Net cash provided by operating activities/Current liabilities
   (2) Net cash flow adequacy ratio = net cash flow rising from operating activities in the most recent five years/(capital expenditure + inventory increase + cash dividend) in the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend) / (gross fixed assets value + long-term investment + other assets + working capital). (Note 5)
6. Leverage:
   (1) Degree of operating leverage (DOL) = (net operating revenue - variable operating cost and expenses)/operating income (Note 6)
   (2) Financial leverage = Operating income / (Operating income - Interest expenses).

Note 4: The following items should be noted for the calculation of earnings per share using the above-mentioned formula:
1. Use the weighted average number of common shares, not the number of shares outstanding at the end of year.
2. Capital increase for cash or treasury stock transactions shall be considered when the weighted average number of shares is calculated.
3. Capital increase from surplus earnings or capital reserve shall be retrospectively adjusted by the proportion of capital increase when earnings per share for previous annual and semi-annual periods are calculated. The issue period for capital increase does not have to be considered.
4. For preferred shares that are non-convertible accumulated preferred shares, dividends (regardless of whether they are distributed) shall be deducted from net income after tax or included as net loss after tax. If preferred shares are non-cumulative in nature, where net income after tax is available, dividends on preferred shares shall be deducted from net income after tax. No adjustment is required if the Company has loss after tax.

Note 5: The following items should be noted for the analysis of cash flow:
1. Net cash flow from operating activities refers to net cash flow generated from operating activities in the statement of cash flows.
2. Capital expenditures refer to the annual cash flow used in capital investment.
3. The increase in inventory is included only if the balance at the end of the year is greater than the balance at the beginning of the year. If it is the other way around, the number used should be zero.
4. Cash dividends include the cash dividends of common stocks and preferred stocks.
5. Gross property, plant and equipment refers to the property, plant and equipment before depreciation.

Note 6: The issuer should classify the operating costs and operating expenses as fixed or variable depending on their nature. If the process involves estimates or subjective judgments, reasonableness and consistency should be maintained.

Note 7: If the company's shares do not have a face value or the face value is not NT$10, the above-mentioned calculation involving as a percentage to paid-in capital should be replaced by as a percentage to equity attributable to the owners of the parent company on the balance sheet.

## III. Supervisor's or Audit Committee's Review Report for the Most Recent Financial Statements

(I) Supervisors' review report: Not applicable

(II) Audit Committee's Audit Report:

Asia Polymer Corporation

Audit Report

The Board of Directors has prepared the Company’s 2020 Business Report, financial statements (including parent company only and consolidated financial statements) which were audited by CPAs Chiu, Cheng-Chun and Huang, Hsiu-Chun of Deloitte, Taiwan, as well as an earnings distribution proposal. The above-mentioned reports and financial statements have been reviewed and determined to be accurate by the Audit Committee. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report. Please proceed to review it.

Sincerely yours,

2021 Annual General Meeting

Audit Committee of Asia Polymer Corporation

Independent Director: Shen, Shang-Hung 沈尚弘

Independent Director: Chen, Ta-Hsiung 陳達雄

Independent Director: Cheng, Duen-Chian 鄭敦謙

March 16, 2021

IV. Consolidated Financial Statements Audited and Attested by CPAs for the Most Recent Fiscal Years: Please refer to pages 185

V. Parent Company Only Financial Statements Audited and Attested by CPAs for the Most Recent Fiscal Years: Please refer to pages 287

VI. If the Company or its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report, the Annual Report Shall Explain How Said Difficulties Affect the Company's Financial Situation The term "affiliates" as used in above refers to entities meeting the requirements set forth under Article 309-1 of the Company Act: None

# Chapter VII. Review and Analysis of Financial Conditions and Performance and Risk Items

## I. Financial Position

Comparison and analysis of financial position

Unit: NT$ thousand

| | End of 2020 | End of 2019 | Difference | |
|---|---|---|---|---|
| | | | Shares | (%) |
| Current assets | $2,964,269 | $4,940,438 | (1,976,169) | (40.00) |
| Long-term investments | 10,033,878 | 8,040,888 | 1,992,990 | 24.79 |
| Property (including investment), plant and equipment | 3,781,039 | 3,813,798 | (32,759) | (0.86) |
| Other assets | 104,317 | 127,967 | (23,650) | (18.48) |
| Total assets | 16,883,503 | 16,923,091 | (39,588) | (0.23) |
| Current Liability | 1,479,196 | 2,469,828 | (990,632) | (40.11) |
| Other liabilities | 3,294,762 | 4,223,443 | (928,681) | (21.99) |
| Total liabilities | 4,773,958 | 6,693,271 | (1,919,313) | (28.68) |
| Capital | 5,821,018 | 5,543,827 | 277,191 | 5.00 |
| Capital surplus | 33,272 | 24,400 | 8,872 | 36.36 |
| Retained earnings | 5,253,769 | 4,785,613 | 468,156 | 9.78 |
| Other equity | 1,001,486 | (124,020) | 1,125,506 | 907.52 |
| Total equity | 12,109,545 | 10,229,820 | 1,879,725 | 18.37 |

(I) The main reasons for major changes in assets, liabilities and equity in the most recent two years (variance of 20% and exceeding NT$10 million between periods):

1. Current assets: mainly due to repayment of some bank loans and increased investment under equity method.
2. Long term investment: mainly due to the market price increase of the held position and the increase of investment under equity method
3. Current liabilities: mainly due to repayment of short-term loans and short-term bills payable.
4. Other liabilities: mainly due to repayment of long-term loans.
5. Other equities: mainly due to the increase of unrealized gains of financial assets.

(II) Impact:

No major impact

(III) Future response plan

Not applicable

## II. Financial Performance

### (I) Comparison and analysis of financial performance

Unit: NT$ thousand

| | 2020 | 2019 | Increases (decreases) | Percentage of change (%) |
|---|---|---|---|---|
| Net revenue | $5,703,546 | $6,791,157 | (1,087,611) | (16.02) |
| Operating costs | 4,574,394 | 5,755,709 | (1,181,315) | (20.52) |
| Gross profit | 1,129,152 | 1,035,448 | 93,704 | 9.05 |
| Operating expenses | 206,849 | 237,041 | (30,192) | (12.74) |
| Operating margin | 922,303 | 798,407 | 123,896 | 15.52 |
| Non-operating revenue and expenses | 363,108 | 186,434 | 176,674 | 94.76 |
| Net profit before taxes | 1,285,411 | 984,841 | 300,570 | 30.52 |
| Income tax | 181,824 | 163,820 | 18,004 | 10.99 |
| Net profit for the year | $1,103,587 | $821,021 | 282,566 | 34.42 |
| Other comprehensive income for the year | $1,099,896 | ($30,290) | 1,130,186 | 3,731.22 |
| Total comprehensive income for the year | $2,203,483 | $790,731 | 1,412,752 | 178.66 |

(1) The main reasons for significant percentage of changes in the most recent two years:

1. Operating cost: mainly due to the decrease of raw material cost compared with the same period last year.
2. Non-operating income: mainly due to the increase of gains on affiliates under equity method and financial assets evaluation and disposal gains.
3. Net profit before tax and this year: mainly due to the increase of gross profit and non-operating income
4. Other comprehensive income for the year: Mainly caused by the unrealized gains on financial assets measured at fair value through other comprehensive gains and losses due to the increase in market prices.
5. Total comprehensive income for the year: Mainly caused by the increase in net profit and other comprehensive income for the year.

(II) Projected sales volume in the following year and its basis:

The sales target for 2021 is approximately 135,000 tons and sales of niche products shall be prioritized.

(III) Impact on the Company's future financial business: No significant impact.

(IV) Future response plan: Not applicable.

### (II) Analysis of changes in gross profit: Not applicable

## III. Cash Flows

Unit: NT$ thousand

| Year | Initial cash balance | Annual net cash flow from operating activities | Annual net cash flow from investing activities | Annual net cash flow from financing activities | Effect of exchange rate changes | Cash surplus (deficit) | Remedial measures for cash inadequacy |
|---|---|---|---|---|---|---|---|
| 2020 | 938,616 | 2,878,346 | (916,265) | (2,289,221) | (5,832) | 605,644 | Not applicable |

1. Analysis of changes in cash flow during the year
   (1) Operating activities: the net cash inflow of operating activities is NT$2,878,346, mainly the increase of annual profit and the disposal of financial assets that are compulsorily measured at fair value through profit and loss.
   (2) Investment activities: the net cash outflow from investment activities was NT$916,265 thousand, mainly due to the acquisition of long-term equity investment using equity method and the purchase of equipment.
   (3) Financing activities: the net cash outflow to financing activities was NT$2,289,221 thousand, mainly due to the repayment of bank loans.
2. Remedy for cash shortage and liquidity analysis: Not applicable
3. Liquidity analysis for the following year

Unit: NT$ thousand

| Initial cash balance | Estimated net cash flow from operating activities in the entire year | Estimated other cash inflows (outflows) during the year | Estimated balance of cash surplus (shortage) | Remedial measures for cash inadequacy |
|---|---|---|---|---|
| 605,644 | 1,418,000 | (1,309,000) | 714,644 | Not applicable |

## IV. Impact of major capital expenditures on financial operations in the most recent year: None

## V. Investment policy in the most recent year, main reasons for its profit or loss, improvement plans and investment plan for the coming year:

### (I) Investments whose amounts exceed five (5) percent of paid-in capital at the end of 2020:

| Item \ Reason for Discrepancy | Unit (NTD in Thousands) | Policy | Main reasons for profit or loss | Improvement plan | Other investment plans in the future |
|---|---|---|---|---|---|
| USI Corporation | 2,290,638 | Steady cash dividends | Stable performance | None | - |
| CTCI Corporation | 551,842 | Investment diversification | The overall performance has grown steadily, so it remains profitable | None | - |
| Ever Conqueat Global Ltd | 5,066,945 | Petrochemical Investments | Construction period | None | - |
| China General Plastics Corporation | 782,997 | Investment diversification | The overall performance has grown steadily, so it remains profitable | None | - |
| China General Terminal & Distribution Co., Ltd. | 315,711 | Investment diversification | The overall performance has grown steadily, so it remains profitable | None | - |

(II) Investment plans for the following year:

1. The Company will invest indirectly in the Gulei Petrochemical project located in Zhangzhou City, Fujian in China via investment by a company established in a third region, in order to produce petrochemical-related products, downstream deep processing equipment and packages for public projects. The amount of investment in this project will not exceed NT$6 billion, which will be invested gradually from year to year upon approval by the competent authority.
2. To ensure sufficient supplies of ethylene materials, the Company plans to invest NT$1.02 billion in the construction of an ethylene storage tank and underground ethylene pipelines.

## VI. Risk Analysis and Evaluation

Risk management organizational structure

| Major risk evaluation item | Implementation and responsible units | Supervision unit |
|---|---|---|
| (I) Impact of interest rates and exchange rate fluctuations, as well as inflation on the Company's profit and loss, as well as future response measures | Finance Division | Auditing Division |
| (II) Policies on Engaging in High-risk and High-leverage Investments, Provision of Loans to Others, Making of Guarantees and Endorsements, and Derivatives Trading, Major Reasons for Profit or Loss, and Future Response Measures | Finance Division | |
| (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work. | R&D Department of Linyuan Plant | |
| (IV) Impact of changes of the important domestic and foreign policies and laws on the Company's finance and business, and countermeasures | Finance Division/Legal Division/Business Department | |
| (V) Impact of Changes in Technology and Industry on the Company's Financial Operations, and Response Measures | Information Systems Division/Business Department | |
| (VI) Impact of Changes in Corporate Image on the Company's Risk Management, and Response Measures | Human Resources Division | |
| (VII) Expected benefits and possible risks of mergers and response measures | Finance Division | |
| (VIII) Expected benefits and possible risks to expand the plants and the countermeasures | Linyuan Plant | |
| (IX) Risks resulting from consolidation of purchasing or sales operations and response measures | Procurement and Logistics Division/Business Department | |
| (X) Impact and risks resulted from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10% of the Company's shares, and related response measures | Finance Division | |
| (XI) Impact, risk, and response measures related to any change in governance rights in the Company | Board of Directors | |

| | | |
|---|---|---|
| (XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report. | Legal Division | |
| (XIII) Other important risks, and mitigation measures being or to be taken | IT Division / Corporate Social Responsibility Committee | |

Risk management policy

1. Effects of interest rates, exchange rate fluctuation and inflation on the Company’s profit and loss, as well as future response measures:

1. Interest rate: the idle funds will be placed in bank deposit, money market fund beneficiary certificate, bond (bills) with repurchase transaction and REITs (domestic real estate investment trust fund) to reduce the risk of interest rate fluctuations.

   Sufficient short-term funds for operational needs; For medium and long-term capital demand, when the interest rate rises, we should choose an appropriate time to issue ordinary corporate bonds, or obtain medium and long-term limit from financial institutions, lock in the cost of capital with fixed interest rate, avoid the risk of future interest rate rise, and cope with the long-term capital stability.

2. Exchange rate: hedging is carried out according to the net foreign currency position generated by the company's business. In addition to closely observing the trend of the international foreign exchange market, we also timely hedge the risks through spot selling and undertaking forward foreign exchange contracts.

3. Inflation: No significant impact on the Company.

3.1 Some countries (including Taiwan) have not experienced significant inflation. The current inflation level is moderate.

3.2 The main cost of the Company is the cost of raw materials. Product price move in the same direction as the raw material cost.

(II) Policies regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and future countermeasures to be taken:

1. Engaging in high-risk, highly-leveraged investment and lending funds to other parties:

The Company’s “Procedures for Acquisition and Disposition of Assets” stipulates that it does not engage in high-risk, highly-leveraged investments. There is also the “Procedures for Lending Funds to Others”. However, this operation has not yet been carried out.

2. Endorsements/guarantees:

In accordance with the Company’s "Endorsement and Guarantee Procedures". However, this operation has not yet been carried out.

3. Derivatives transactions:

The purpose of the Company's derivatives trading is to hedge the risks arising from the Company's business operation. The trading products are mainly forward exchange, and no engagement is made in speculative operations. The counterparties for hedging transactions are reputable financial institutions to avoid credit risks.

(III) Future R&D projects and estimated R&D expenditure:

1. Future R&D Plan: The Linyuan Research and Development Division is in charge of planning and execution.

   · The gas chromatograph (GC-5890) was replaced with the old one.

   · Old FKI plastic blown film machines were replaced with new ones.

   · Process equipment renewal.

2. Estimated R&D expenses: A total of approximately NT$16,430 thousand.

(IV) Impacts of changes in local and overseas policies and laws on the Company's financial operations, and related response measures:

1. Impacts of changes in major domestic and overseas policies and regulations on Company’s finance and business within the most recent year up to the publication date of this report are not significant.

2. Response measures:

   The Company has established the Legal Division to assess legal risks and formulate countermeasures, review important contracts in advance and provide legal advance to handle legal affairs where necessary. In addition, the accounting division, from time to time, evaluates the impact of such changes on the Company's financial operations and relevant measures in response to the changes in relevant accounting and tax laws and regulations, and discuss with the accountant to prepare the advance planning for such changes.

(V) Impacts of changes in technology and industry on the Company's financial operations, and related response measures:

1. In line with the government's policy of paperless invoice voucher, the Company has introduced electronic invoice, reduced the probability of human error, improved the correctness of voucher issuing, simplified the tax declaration process, saved the administrative cost of subsequent processing, so as to achieve the purpose of energy

saving and carbon reduction, fulfill social responsibility and improve the corporate business performance of enterprises.

2. Introduce the new mobile inspection system developed by the group into Linyuan Plant, and optimize and improve the insufficient functions of the old system, so as to improve the hardware operation speed and greatly reduce the equipment procurement cost. In addition, after the system is developed by the Company, it is more flexible to interface with the internal system and customize according to the needs of users.

3. In order to save case processing time and improve efficiency, the Company has built e-process of CER capital expenditure application, optimize UI interface, and improve the efficiency of application countersign and audit.

4. The new version of the requisition platform and e-document signing system were introduced into Taipei Head Office and Linyuan Plant to simplify the settings of the relevant signing supervisor, and increase the flexibility of changing the signing supervisor in the signing process, so as to make the e-document signing process more smooth and improve the signing efficiency.

5. Promote social engineering exercises to enhance employees' awareness of information security, so as to protect data from external intrusion and tampering.

(VI) Impacts of changes in corporate image on the Company’s risk management, and related response measures

The Company has always uphold the professional and integrity of the operating principles, paid attention to corporate governance, corporate social responsibility, therefore, there is no foreseeable risk associated with changes in corporate image.

(VII) The expected benefits and possible risks to engage in Mergers and Acquisitions (M&A) and the countermeasures:

The Company does not carry out mergers and acquisitions.

(VIII) Expected benefits and possible risks of expanding factory buildings and response risks:

Construction of ethylene storage tanks and underground pipelines

Expected benefits: Ensuring sufficient ethylene raw material supply to maintain stable production and to enhance the connection with existing customers.

Possible risk: Increased supply may make product price decrease.

Response measures: Developing high-quality and niche products to avoid price competition.

(IX) Risks resulting from consolidation of purchasing or sales operations and response measures:

Purchases: The Company purchases more than 50% of the Company’s overall ethylene from CPC Corporation, Taiwan. However, we signed a contract with CPC to ensure the supply of ethylene. Shortages may be supplemented by imports of CPC or the Company.

Sales: Most of our customers are SMEs, so there is no concentration risk.

(X) Impact and risks resulted from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10% of the Company's shares, and related response measures:

There was no major exchange or transfer of shares by directors, supervisors or shareholders with over 10% of shares in the Company as at the date of publication of the report. Thus, there was no impact on the Company's operation.

(XI) Impact, risk, and response measures related to any change in governance rights in the Company:

1. Implementation and responsible unit: Board of Directors.

There has been no changes in management control at the Company in the most recent fiscal year up to the publication date of this annual report.

(XII) For any litigious or non-litigious matters, the Company and its Directors, Supervisors, General Managers, person with actual responsibility in the Company, and major shareholders holding more than 10% of the Company's shares, shall be disclosed. If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that has been finalized or has remained pending during the most recent two fiscal years or during the current fiscal year up to the publication date of this annual report, the report shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case as of the publication date of this annual report:

1. Implementation and Responsible Unit: Legal Division.
2. Concluded or pending major litigious, non-litigious or administrative disputes in the most recent year and as of the date of report:
   (1) The Company: None.
   (2) Directors, Supervisors, General Managers, persons with actual responsibility in the Company, and major shareholders holding more than 10% of the Company's shares: None.
   (3) Investee companies using equity method:

With regard to the gas explosions in the evening on July 31, 2014, where the Company's investee company accounted for using the equity method China General Terminal & Distribution Corporation (CGTD) was contracted by LCY Chemical Corp. (LCY) to operate the propene pipelines, the second-instance judgment was announced on April 24, 2020, and all three of CGTD's employees were acquitted. At present, the case has been appealed by the Kaohsiung Branch of Taiwan High Prosecutor's Office and is being tried by the Supreme Court.

On February 12, 2015, CGTD entered into an agreement with the Kaohsiung City Government to provide the Kaohsiung City Government with pledge right set of a bank deposit certificate of NT$227,351 thousand (including interest) as the guarantee for the loss caused by the gas explosion. The Kaohsiung City Government has also filed civil litigation against LCY Chemical Company, CGTD, and CPC Corporation, Taiwan. In addition, on August 27 and November 26, 2015, Taiwan Power Company applied to the court for the execution of false seizure of the property of Huayun company. Huayun company has deposited 99207000 yuan in cash with the court, which is exempt from false seizure; On February 3 and March 2, 2019, Taiwan waterworks Co., Ltd. also applied to the court for false seizure of the property of Huayun company. Assets under attachment amounted to approximately NT$13,320 thousand as of April 30, 2021.

For the deceased, CGTD, LCY and Kaohsiung City Government signed a tripartite agreement on July 17, 2015 agreeing to negotiate the compensation first with the 32 deceased's successors and persons entitled to the claims ("family of the deceased). Each family was entitled to NT$12 million and the total compensation was NT$384 million. The compensation was first paid by LCY who also represent the three parties in the settlement negotiation and the signing of settlement agreements with family of the deceased.

For the severely injured, CGTD, LCY and the Kaohsiung City Government signed a tripartite agreement for severe injuries on October 25, 2017 agreeing to negotiate the compensation first with the 65 severely injured victims. The compensation was first paid by CGTD, LCY and the Kaohsiung City Government. CGTD also represents the three parties in negotiating settlements with victims who suffered severe injuries in the incident. It has signed settlement agreements with 64 of the victims.

As of April 30, 2021, victims and their families have filed civil (including supplementary civil action) lawsuits against LCY Chemical Corp., CGTD and CPC for compensation. To reduce the lawsuit costs, CGTD had reached a settlement on the original claim of NT$46,677 thousand, and the amount of the settlement was $4,519 thousand. The total amount including the compensation paid to the deceased and severely injured specified in the preceding paragraph is approximately NT$3,856,447 thousand. Some of the civil cases above (the amount of compensation requested is around NT$1,341,128 thousand) The judgement of first instance has been finalized successively since June 22, 2018, and in most of the cases, it has determined that the proportion of fault liability of the Kaohsiung City Government, LCY, to CGTD is 4: 3: 3. CGTD, LCY, and other defendants shall pay an amount of approximately NT$401,979 thousand (of which NT$6,194 thousand shall be exempted from the compensation liability for CGTD according to the court's judgment). For the civil cases that have been sentenced but not settled, CGTD has filed an appeal and has started the second trial procedure one after another. CGTD has signed a claim settlement agreement with the insurance company in accordance with the proportion of fault liability determined in the first-instance judgment to estimate the amount of settlement for victims and seriously injured and the civil litigation compensation amount (including settled cases). The maximum amount of the insurance compensation was deducted to calculate the amount payable by CGTD and the NT$136,375 thousand has been included in the estimate on the account. However, the actual settlement and compensation amount described above can only be verified after the proportion of fault liability is determined in the civil judgments.

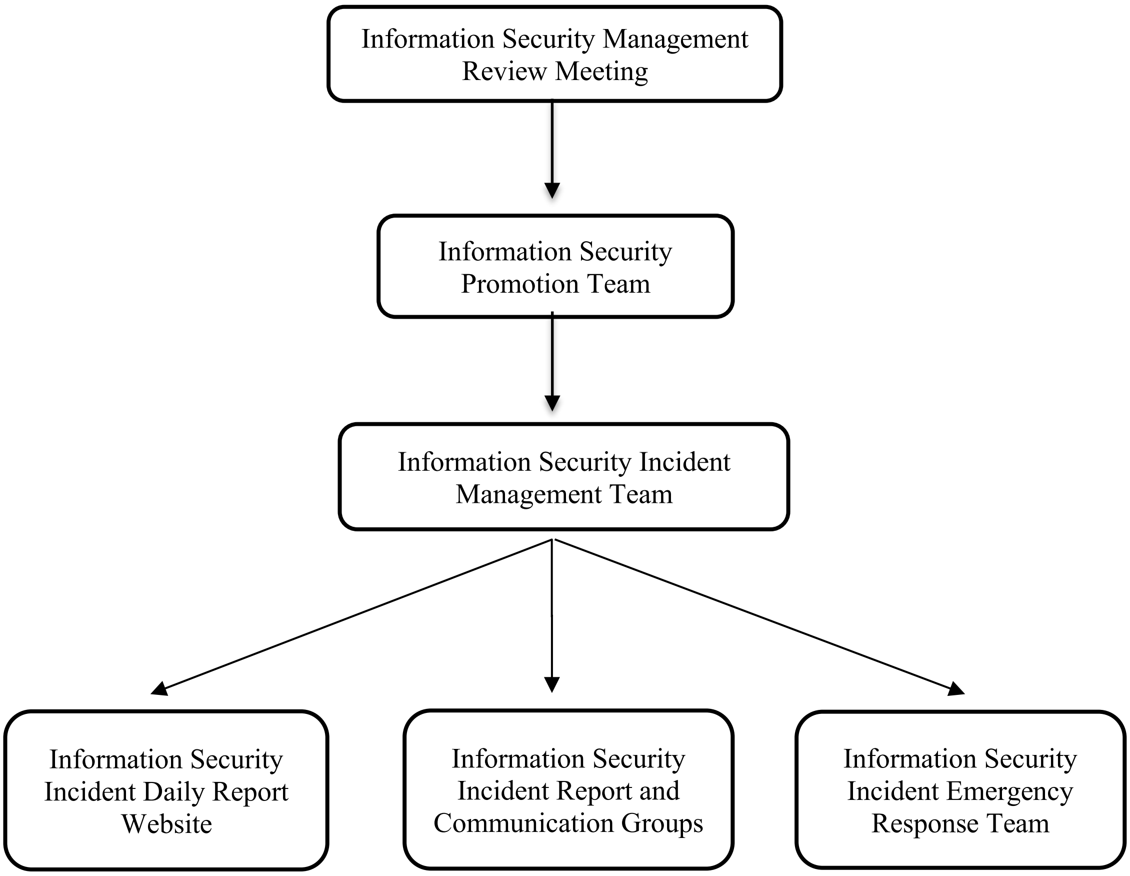
(XIII) Other significant risks and response measures:

1.Risk management, policy and management plan of information security

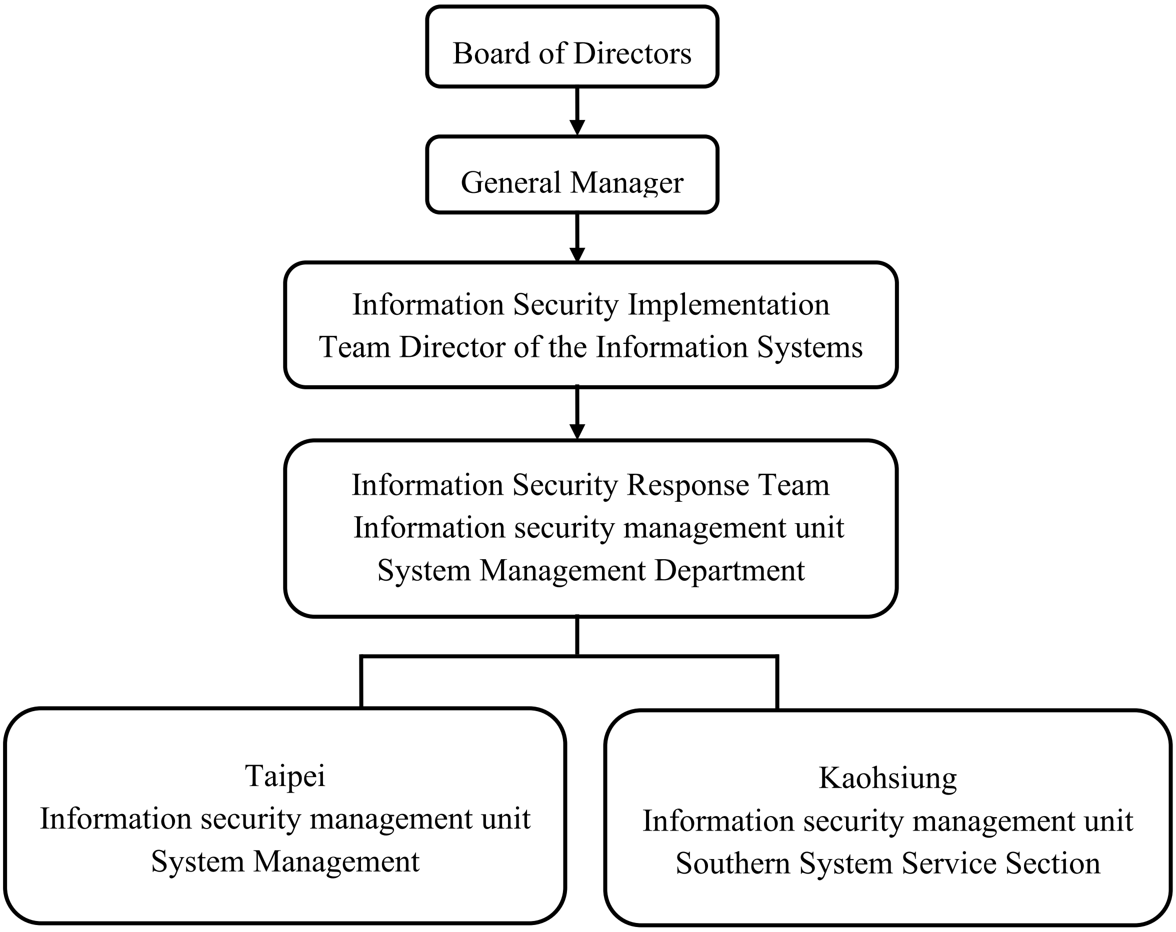
(1) Information security risk management framework

Information security management system:

To improve the information security management, the Company has introduced ISO 27001 and obtained the certificate since 2014. According to the standards of ISO 27001, the Company holds the "Information Security Management Review Meeting" every year to improve the information security across the group. The meeting decides on the six input items (implementation of past proposals, changes in internal and external issues relating to the information security management system, information security performance feedback, feedback from parties concerned, risk assessment results and implementation of risk management plans, and continuous improvement) and resolves on the two output items (decisions on continuous improvement and need of changes in the information security management system) to confirm whether the objectives of the information security management system are achieved. We established the "Information Security Implementation Team" in accordance with the regulations defined in the "Information Security Implementation Organization Regulations" in the Company's internal standard operating procedures to supervise the implementation status of information security management of the Group and clarify the roles and duties of various organizations. The Team convenes one regular meeting each year and meetings can be organized immediately in the event of material information security incidents of the Group. The Director of the Information Technology Department serves as the convener of the Team and takes charge of the meetings of the Information Security Implementation Team as well as decisions and arbitration of opinions in the meetings. The supervisors of units under the jurisdiction of the Information Technology Department are members of the Team. In the event of a material information security incident, the Director of the Information Technology Department shall report to the General Manager or heads of related departments.


Information Security Management Review Meeting
Information Security Promotion Team
Information Security Incident Management Team
Information Security Incident Daily Report Website
Information Security Incident Report and Communication Groups
Information Security Incident Emergency Response Team

Operations of the Information Security Implementation Team:




Responsibilities:
(1) Establish the information security risk management framework and information security policies
(2) Conduct information security risk assessments and analyses
(3) Information security maintenance and execution
(4) Verification of the effectiveness of information security operations

The Information Technology Division formulates information security related policies and plans, governs, supervises and implements them in accordance with ISO 27001 to ensure the Group's information security capability and enhance the awareness of its colleagues on information security.

(2) Specific management measures for information security management:

1. Internal audit is conducted by the Company's audit department on a regular basis, while external audit also earnestly requests the British Standards Institution (BSI), an internationally renowned certification company, to carry out ISO 27001 certification inspection every year. After obtaining the ISO 27001 certificate from BSI in July 2014, we have passed BSI information security system reviews for six consecutive years. In addition to conducting examination on the risk management framework for information security, the Company shall provide guidance and prevention, conduct analysis on information security risk assessment pertaining to both internal and external issues.

2. In order to strengthen information security management and prevent the occurrence of hacker invasion or data leakage, the Company provides information personnel with information security education for four hours every year, and commissions an external professional information security consulting firm to conduct information security check, and provide appropriate data protection in line with relevant data protection norms.

3. At least twice a year, the Company entrusts an external professional security consulting company to carry out social engineering drills, so as to effectively enhance employees' awareness of security, protect data from external intrusion and tampering.
4. For the operating system of the server host and other equipment, the Company entrusts an external professional security consulting company to conduct a vulnerability scan every year to identify potential risks for system correction or propose compensatory measures.
5. In order to protect personal data, since 2017, the Company has successively covered and restricted the relevant information fields of personal data in various information application systems and provided appropriate protection. We have also applied related measures in response to requirements in the General Data Protection Regulation (GDPR) of the European Union.
6. We established secure transaction platforms and introduced Secure Sockets Layer (SSL) to allow customers and suppliers to log into the platform to query and download related transaction documents to prevent mail interception and business email compromise frauds derived from altered transaction documents. We improved the companies' security in external transactions and reduced the possibility of frauds against customers and suppliers who have low information security protection. Website of the Company has been changed from http to https to strengthen the safety of browse.

(3) Establishment of the information security policy

The establishment of the information security policy takes into account three major scopes including information security governance, compliance of related regulations, and applications of technologies and tools:

| Information Security Policy | | |
|---|---|---|
| Information security management | • Ensure the continuous and robust operations of the information security management system.<br>• Ensure the confidentiality, integrity, and availability of information and operations.<br>• Risk management and prevention. | • Organize management review meetings for the information security management system (ISMS) to verify whether the objectives of the information security management system have been achieved.<br>• Improve employees information security awareness and strengthen information security training to ensure that data is sufficiently protected from external |

| | | |
|---|---|---|
| | • Optimize the management system.<br>• Establish a network framework the meets the highest information security standards and verify he reliability of network transmissions. | intrusion, alteration, and leaks.<br>• Conduct information security risk assessments and analyses on internal and external topics.<br>• Review the design of the basic information security framework. |
| Legal compliance | • Regularly review the updates and amendments of regulations.<br>• Establish information operation mechanisms that are appropriate for the location, timing, and operations. | Review and revise internal operating procedures and standards on a regular basis to comply with relevant information security laws and regulations at home and abroad. |
| Technology applications | • Collection of internal Group data and external data.<br>• Make full use of data analyses.<br>• Predict potential information security threats. | The Company establishes internal firewalls and network traffic monitoring; screen packages with information security concerns; analyze potential threats; prevent illegal intrusions, and prevent the direct exposure of internal network information. |

The Company evaluates the amount of insurance policies and the selection of insurance companies (e.g. quotations, insurance underwriting conditions, and status of insurance approval and providing compensation for claims) for the information security insurance based on analyses of crisis management, loss of business revenue, additional fees, third-party liabilities, and fines and penalties. The Company continues to assess suitable information security insurance policies.

2. Continuing attention to global climate change issues:

For the identification and response measures of climate change risks, please refer to the Implementation Status of Corporate Social Responsibility and Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons on evaluation item III, environmental issue.

## VII. Other important items: The Company's key performance indicators

(I) Operating hour without accident: The Company's Linyuan Plant is a high-temperature and high-pressure production environment, so it puts a strong emphasis on occupational safety, health and environmental protection. As of December 31, 2020, the cumulative operating hours without accident was 468,243 hours.

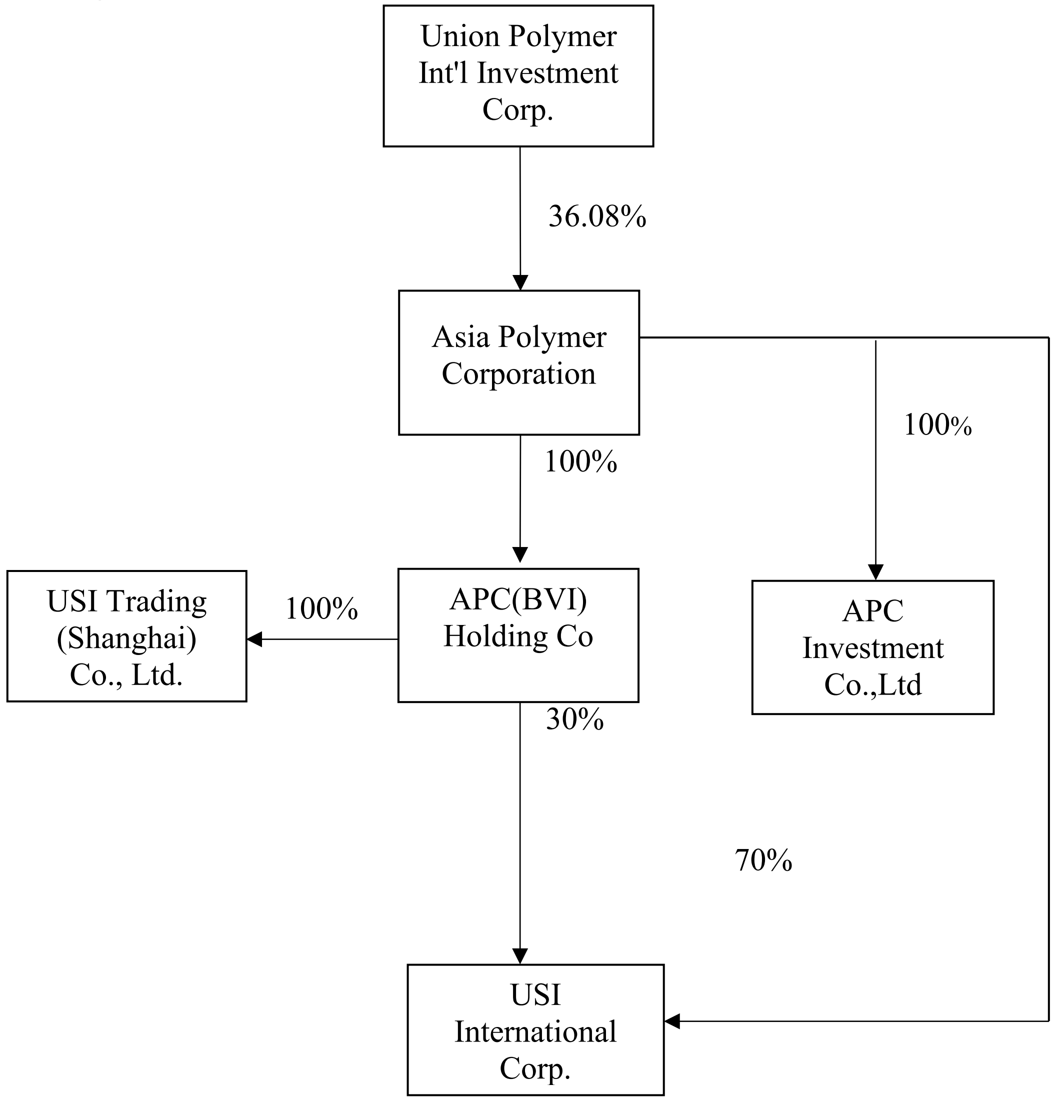
(II) Equipment operating rate: The equipment operating rate in 2020 was 96.71%.

# Chapter VIII. Special Notes

## I. Information Regarding Affiliated Companies

### (I) Consolidated Business Report of Affiliated Enterprises

1. Organizational Structure of Affiliated Companies



## 2. Basic information regarding Various Affiliated Companies

Unit: NT$1,000

| Name of Company | Date of Incorporation | Address | Actual Paid-in Capital | Main Business or Product |
|---|---|---|---|---|
| APC (BVI) Holding Co., Ltd. | April 10, 1997 | Citco Building,Wickham Cay, P.O.Box 662,Road Town, Tortola,British Virgin Islands | 323,037 | Reinvestment business |
| USI International Corporation | Spetember 20, 2002 | TrustNet Chambers, P.O.Box3444,Road Town,Tortola, British Virgin Islands | 85,440 | Investments |
| APC Investment Corporation | December 20, 2007 | 10th Floor, No. 39, Jihu Road, Neihu District, Taipei City | 200,000 | Investments |
| USI Trading (Shanghai) Co., Ltd. | March 13, 2006 | Room 6A, No. 1358, Yan'an West Road, Shanghai City | 71,200 | Sales of chemical products and equipment, etc. |

## 3. Information of shareholders with corporate governance power while working in the company: None.

## 4. Business of affiliates and their relationships

| Industry code | Name of Affiliates | Business relationship with other affiliates |
|---|---|---|
| Holding Company | APC (BVI) Holding Co., Ltd. | None |
| Investments | USI International Corporation | None |
| Investments | APC Investment Corporation | None |
| Trading | USI Trading (Shanghai) Co., Ltd. | Purchases from APC |

## 5. Information regarding the directors, supervisors and general managers of affiliated companies

Unit: NT$ thousands; shares; %

| Name of Company | Title | Name or representative | Number of shares held by the person/Shareholding percentage | Number of Shares/Shareholding Ratio of The Legal Representative |
|---|---|---|---|---|
| APC (BVI) Holding Co., Ltd. | Directors | Quintin Wu | 0/0% | - |
| | Directors | Wu, Pei-Chi | 0/0% | |
| | Directors | Ko, I-Shao | 0/0% | |
| | Directors | Wang, Ke-Shun | 0/0% | |
| USI International | Directors | Quintin Wu | 0/0% | - |
| | Directors | Wu, Pei-Chi | 0/0% | |

| Name of Company | Title | Name or representative | Number of shares held by the person/Shareholding percentage | Number of Shares/Shareholding Ratio of The Legal Representative |
|---|---|---|---|---|
| Corporation. | Directors | Yang, Wen-Li | 0/0% | |
| | Directors | Huang, Ya-I | 0/0% | |
| APC Investment Co.,Ltd | Chairman of the Board | Quintin Wu (appointed by Asia Polymer Corporation) | 0/0% | 20,000,000/100 |
| | Directors | Wu, Pei-Chi (appointed by Asia Polymer Corporation) | 0/0% | |
| | Directors | Huang, Ya-I (appointed by Asia Polymer Corporation) | 0/0% | |
| | Supervisors | Chen, Yung-Chih (appointed by Asia Polymer Corporation) | 0/0% | |
| | General Manager | Huang, Ya-I | 0/0% | - |
| USI Trading (Shanghai) Co., Ltd. | Chairman of the Board | Wu, Pei-Chi (appointed by APC (BVI) Holding Co., Ltd.) | 0/0% | USD2,500,000/100 |
| | Vice Chairman | Wu, Chiao-Feng (appointed by APC (BVI) Holding Co., Ltd.) | 0/0% | |
| | Directors | Wang, Ko-Shun (appointed by APC (BVI) Holding Co., Ltd.) | 0/0% | |
| | Directors | Wu, Ming-Tsung (appointed by APC (BVI) Holding Co., Ltd.) | 0/0% | |
| | Supervisor | Yang, Wen-Li (appointed by APC (BVI) Holding Co., Ltd.) | | |
| | General Manager | Wu, Pei-Chi | 0/0% | - |

## 6. Operating status of affiliates

Unit: NT$ thousand

| Name of Company | Capital Contribution | Total assets | Total liabilities | Per Share (NAVPS) | Revenue | Operating Income (Loss) | Profit or loss for the current period (after taxes) | Earnings per Share (NTD) (After Taxes) |
|---|---|---|---|---|---|---|---|---|
| APC (BVI) Holding Co., Ltd. | 323,037 | 517,012 | 0 | 517,012 | 0 | (314) | 15,181 | 1.34 |
| USI International Corporation. | 85,440 | 92,768 | 2,176 | 90,592 | 0 | (1,950) | 5,387 | 1.80 |
| APC Investment Corporation | 200,000 | 148,777 | 16,286 | 132,491 | 0 | 9,928 | 33,542 | 1.68 |
| USI Trading (Shanghai) Co., Ltd. | 71,200 | 189,657 | 69,311 | 120,346 | 253,123 | 13,881 | 11,497 | - |

(II) Consolidated financial statements of affiliated enterprises

Statement of Consolidated Financial Statements of Affiliated Enterprises

In 2020 (from January 1, 2020 to December 31, 2020), the companies required to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards (IFRS) 10, and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. The Company hereby produces this declaration to the effect that no preparation for the separate consolidated financial statements of affiliates is required.
Which is thereof declared

Company Name: Asia Polymer Corporation

Person in charge: Wu I-Kuei

March 5, 2021

## (III) Affiliation Reports

### 1. Declaration of affiliation report

The affiliation report of the Company for the year 2020 (from January 1, 2020 to December 31, 2020) is prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and the information disclosed is not significantly inconsistent with the relevant information disclosed in the notes to the financial reports of the previous period.

Which is thereof declared

Company Name: Asia Polymer Corporation

Person in charge: Wu I-Kuei

March 5, 2021

2. Independent auditor's opinion on affiliation report

Chin Shen 11002614 dated April 30, 2021

Attn: Asia Polymer Corporation

Subject: We express our opinions on the Company’s 2020 affiliation report that it does not contain any material inconsistency.

Explanation:

I. Your Company has issued a statement on the 2020 Affiliation Report (from January 1 to December 31, 2020) prepared by your Company, on March 5, 2021 in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. No material inconsistency has been found between the information disclosed and the relevant information disclosed in the notes to the financial statements for the aforementioned period. The statement is attached in this letter.

II. We have compared the Notes to Financial Statements in the Company's 2020 Financial Statements with the Company's Related Company Report based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises", and have not found any material discrepancies in the aforementioned statements.

Deloitte, Taiwan

CPA Chiu, Cheng-Chun

邱政俊

CPA: Hsiu-Chun Huang

黃秀椿

## 3. Overview on the relationship between affiliates and holding company

Unit: shares; %

| Name of the Controlling Company | Reasons for the Control | Shares Held by the Holding Company and Status of Pledged Shares | | | Directors, Supervisors or Managers Appointed by the Holding Company | |
|---|---|---|---|---|---|---|
| | | Number of Shares Held | Shareholding ratio | The Number of Pledged Shares | Title | Name |
| Shing Li Enterprises (Hong Kong) Limited | The major shareholder and representative of USI was elected as the Chairman | 0 | 0 | 0 | None | |
| USI Corporation | The parent company of the major shareholder (Union Polymer Int'l Investment Corp.) and the same chairman | 0 | 0 | 0 | None | |
| Union Polymer Int'l Investment Corp. | Major shareholder with more than half of the director seats | 210,044,924 | 36.08% | 0 | Chairman of the Board<br>Directors<br>Directors<br>Directors<br>Directors | Quintin Wu<br>Li, Kuo-Hung<br>Wu, Pei-Chi<br>Liu, Han-Tai,<br>Wu, Hung-Chu |

## 4. Purchase and sales transactions

Units: NT$ thousands; %

| Name of the Controlling Company | Transactions With Controlling Companies | | | | Transaction terms with the holding company | | General transaction terms | | Reason for the difference | Accounts Receivable (Payable), Notes Receivable (Payable) | | Overdue Accounts Receivable | | | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Purchases (Sales) | Shares | Percentage to total purchases (sales) | Sales Margin | Unit Price (NTD) | Loan tenor | Unit Price (NTD) | Loan tenor | | cash balance | Percentage to total accounts/notes receivables | Shares | Treatment Method | Allowance for Doubtful Accounts | |
| USI Corporation | Sales of goods | 662,692 | 12.02% | 164,409 | 37~49 | 60 days | 24~74 | 30-90 days | None | 189,988 | 25.16% | 0 | None | 0 | - |
| | Purchases | 98,421 | 3.32% | - | 20~25 | 30 days | 18~24 | 30 days | None | 12,387 | 4.88% | - | - | - | - |

## 5. Property transactions: None

## 6. Status of financing: None.

7. Lease of assets

Unit: NT$ thousand

| Name of the Controlling Company | Type of Transaction | Subject | | Lease Term | Nature of Leasing | Determination Basis of Leasing Price | Payment terms | Comparison With Ordinary Leasing Price Levels | Total rent for this period | Collection status for the current period | Other Stipulations |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | with the Issuer | Location | | | | | | | | |
| USI Corporation | Lessor | Office and parking spaces | 9th and 10th Floor, No. 37, Jihu Road, Taipei City | 2020.1.1-2020.12.31 | Operating lease | Market price | Monthly collection | Quite | 3,534 | Normal | None |
| | Lessee | Office and parking spaces | 12th Floor, No. 37, Jihu Road, Taipei City, Taiwan, R.O.C. | 2020.1.1-2020.12.31 | Operating lease | Market price | Monthly collection | Quite | 2,783 | Normal | None |
| Union Polymer Int'l Investment Corp. | Lessor | Office | 10th Floor, No. 37, Jihu Road, Taipei City | 2020.1.1-2020.12.31 | Operating lease | Market price | Monthly collection | Quite | 36 | Normal | None |

8. Endorsements and guarantees: None.

## II. Private placement of securities within the most recent year up to the publication date of this report: None

## III. Holding or disposal of Company shares within the most recent year up to the publication date of this report: None

## IV. Other necessary supplementary notes to be included: None

## V. Any Event which has a Material Impact on Shareholders' Rights and Interests or the Company's Securities as Prescribed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, that Have Occurred in the Most Recent Fiscal Year up to the Publication Date of this Annual Report Shall be Indicated Individually: None.

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders
Asia Polymer Corporation

**Opinion**

We have audited the accompanying consolidated financial statements of Asia Polymer Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

**Basis for Opinion**

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2020 are stated as follows:

Revenue Recognition - Sales Revenue from Specific Customers

The amount of sales revenue for the year ended December 31, 2020 was NT$5,703,546 thousand, which was approximately 16.01% lower than the sales revenue of NT$6,791,157 thousand for the year ended December 31, 2019. Nevertheless, the sales revenue from specific customers has grown significantly compared to the average change trend of total sales revenue. Sales revenue from these specific customers was NT$2,316,082 thousand, which accounted for approximately 40.61% of net operating revenue. Therefore, we identified recognition of revenue from these specific customers as a key audit matter.
The audit procedures that we performed in response to the risk were as follows:

1. We obtained an understanding of the design and implementation of internal controls about these specific customers and tested if these controls were performed effectively. Such controls include credit assessments of customers, revenue recognition and receivables collection.
2. We sampled and inspected purchase orders from these specific customers, shipping confirmations and receivables collection receipts in order to verify the accuracy of sales revenue.
3. We reviewed sales returns and discounts recognized and the amounts received in subsequent periods to assess for any abnormalities.

**Other Matter**

We have also audited the parent company only financial statements of Asia Polymer Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the FSC of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taipei, Taiwan Republic of China

| | |
|---|---|
| CPA, Cheng-Chun Chiu | CPA, Hsiu-Chun Huang |
| Financial Supervisory Commission<br>Approved Document No. Chin Guan Cheng Liu Zi<br>No.0930160267 | Financial Supervisory Commission<br>Approved Document No. Tai Tsai Cheng Liu Zi<br>No.0920123784 |

March 16, 2021

**Notice to Readers:**
The consolidated financial statement (Chinese version) of our company is audited by the CPA Cheng-Chun Chiu and CPA Hsiu-Chun Huang of Deloitte Taiwan. For the convenience of reading, the statement has been translated from Chinese to English. If there is any difference regarding the context or interpretation in the English version, the Chinese version shall prevail.

Asia Polymer Corporation and Subsidiaries

Consolidated balance sheet

December 31st, 2020 and 2019

Unit: NT$ Thousand

| Code | Asset | December 31st, 2020 Amount | % | December 31st, 2019 Amount | % |
|---|---|---|---|---|---|
| | Current assets | | | | |
| 1100 | Cash and cash equivalents (Note 4 and 6) | $ 605,644 | 4 | $ 938,616 | 6 |
| 1110 | Financial assets at fair value through profit or loss- current (Note 4 and 7) | 1,085,851 | 6 | 2,646,378 | 16 |
| 1120 | Financial assets at fair value through other comprehensive income- current (Note 4 and 8) | 86,368 | 1 | 73,352 | - |
| 1170 | Accounts receivable (Note 4, 5, and 10) | 545,372 | 3 | 591,523 | 3 |
| 1180 | Accounts receivable form related parties (Note 4, 5, 10, and 29) | 197,413 | 1 | 156,784 | 1 |
| 1200 | Other receivables (Note 4) | 3,806 | - | 1,196 | - |
| 1210 | Other receivables from related parties (Note 4 and 29) | 2,025 | - | 4,015 | - |
| 1310 | Inventories (Note 4, 5, and 11) | 312,124 | 2 | 386,670 | 2 |
| 1410 | Prepayments | 124,759 | 1 | 141,794 | 1 |
| 1470 | Other current assets | 907 | - | 110 | - |
| 11XX | Total current assets | 2,964,269 | 18 | 4,940,438 | 29 |
| | Non-current assets | | | | |
| 1517 | Financial assets at fair value through other comprehensive income- non-current (Note 4 and 8) | 3,327,544 | 20 | 2,357,879 | 14 |
| 1535 | Financial assets at amortized cost- non-current (Note 4 and 9) | 42,648 | - | - | - |
| 1550 | Investments accounted for using equity method (Note 4, 5, 13, and 30) | 6,663,686 | 39 | 5,683,009 | 34 |
| 1600 | Property, plant and equipment (Note 4 and 14) | 3,257,676 | 19 | 3,277,233 | 19 |
| 1755 | Right-of-use assets (Note 4 and 15) | 424 | - | - | - |
| 1760 | Investment properties (Note 4 and 16) | 522,939 | 3 | 536,565 | 3 |
| 1840 | Deferred tax assets (Note 4 and 25) | 82,118 | 1 | 92,420 | 1 |
| 1990 | Other non-current assets (Note 4) | 22,199 | - | 35,547 | - |
| 15XX | Total non-current assets | 13,919,234 | 82 | 11,982,653 | 71 |
| 1XXX | TOTAL | $ 16,883,503 | 100 | $ 16,923,091 | 100 |
| **Code** | **Liabilities and equity** | | | | |
| | Current liabilities | | | | |
| 2100 | Short-term borrowings (Note 17) | $ 700,000 | 4 | $ 1,100,000 | 7 |
| 2110 | Short-term bills payable (Note 17) | - | - | 649,944 | 4 |
| 2120 | Financial liabilities at fair value through profit or loss- current (Note 4 and 7) | 3,912 | - | - | - |
| 2170 | Accounts payable to unrelated parties (Note 18) | 238,923 | 2 | 134,772 | 1 |
| 2180 | Accounts payable to related parties (Note 18 and 29) | 48,833 | - | 52,003 | - |
| 2200 | Other payables (Note 19) | 194,948 | 1 | 183,427 | 1 |
| 2220 | Other payables to related parties (Note 29) | 49,886 | 1 | 166,588 | 1 |
| 2230 | Current tax liabilities (Note 4 and 25) | 189,737 | 1 | 146,341 | 1 |
| 2280 | Lease liabilities- current (Note 4 and 15) | 5,981 | - | 5,496 | - |
| 2365 | Refund liabilities- current (Note 20) | 5,899 | - | 5,899 | - |
| 2399 | Other current liabilities (Note 23) | 41,077 | - | 25,358 | - |
| 21XX | Total current liabilities | 1,479,196 | 9 | 2,469,828 | 15 |
| | Non- Current liabilities | | | | |
| 2540 | Long-term borrowings (Note 17) | 3,050,000 | 18 | 3,950,000 | 24 |
| 2570 | Deferred tax liabilities (Note 4 and 25) | 42,108 | - | 52,720 | - |
| 2580 | Lease liabilities- non-current (Note 4 and 15) | 18,946 | - | 24,501 | - |
| 2640 | Net defined benefit liabilities- non-current (Note 4 and 21) | 155,057 | 1 | 165,868 | 1 |
| 2650 | Credit balance of investments accounted for using equity method (Note 4 and 13) | 16,165 | - | 14,049 | - |
| 2670 | Other non-current liabilities | 12,486 | - | 16,305 | - |
| 25XX | Total non-current liabilities | 3,294,762 | 19 | 4,223,443 | 25 |
| 2XXX | Total liabilities | 4,773,958 | 28 | 6,693,271 | 40 |
| | Equity attributable to owners of the company (Note 4, 8, 22, and 25) | | | | |
| | Share capital | | | | |
| 3110 | Ordinary share | 5,821,018 | 35 | 5,543,827 | 33 |
| 3200 | Capital surplus | 33,272 | - | 24,400 | - |
| | Retained earnings | | | | |
| 3310 | Legal reserve | 1,798,210 | 11 | 1,713,152 | 10 |
| 3320 | Special reserve | 565,379 | 3 | 565,379 | 3 |
| 3350 | Unappropriated retained earnings | 2,890,180 | 17 | 2,507,082 | 15 |
| 3300 | Total retained earnings | 5,253,769 | 31 | 4,785,613 | 28 |
| | Other equity interest | | | | |
| 3490 | Other equity interest- others | 1,001,486 | 6 | ( 124,020 ) | ( 1 ) |
| 3XXX | Total equity | 12,109,545 | 72 | 10,229,820 | 60 |
| | Total liabilities and equity | $ 16,883,503 | 100 | $ 16,923,091 | 100 |

The accompanying notes are an integral part of the consolidated financial statement.

**Notice to Readers:**

The consolidated financial statement (Chinese version) of our company is audited by the CPA Cheng-Chun Chiu and CPA Hsiu-Chun Huang of Deloitte Taiwan. For the convenience of reading, the statement has been translated from Chinese to English. If there is any difference regarding the context or interpretation in the English version, the Chinese version shall prevail.

# Asia Polymer Corporation and Subsidiaries

## Consolidated Statement Of Comprehensive Income

## For The Years Ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| Code | | Year 2020 Amount | Year 2020 % | Year 2019 Amount | Year 2019 % |
|---|---|---|---|---|---|
| 4100 | Net revenue (Note 4, 23 and 29) | $ 5,703,546 | 100 | $ 6,791,157 | 100 |
| 5110 | Operating costs (Note 4, 11, 21, 24, and 29) | 4,574,394 | 80 | 5,755,709 | 85 |
| 5900 | Gross profit | 1,129,152 | 20 | 1,035,448 | 15 |
| | Operating expenses (Note 21, 24, and 29) | | | | |
| 6100 | Selling expenses | 89,753 | 2 | 111,574 | 1 |
| 6200 | Administrative expenses | 111,673 | 2 | 120,341 | 2 |
| 6300 | Research and development expenses | 5,423 | - | 5,126 | - |
| 6000 | Total operating expenses | 206,849 | 4 | 237,041 | 3 |
| 6900 | Profits From Operations | 922,303 | 16 | 798,407 | 12 |
| | Non-operating income and expenses (Note 4, 13, 24, and 29) | | | | |
| 7100 | Interest income | 7,682 | - | 14,876 | - |
| 7010 | Other income | 167,155 | 3 | 150,745 | 2 |
| 7020 | Other gains and losses | 105,370 | 2 | 23,859 | - |
| 7510 | Interest expense | ( 42,537) | - | ( 56,163) | ( 1) |
| 7060 | Share of profit of associates | 125,438 | 2 | 53,117 | 1 |
| 7000 | Total non-operating income and expenses | 363,108 | 7 | 186,434 | 2 |
| 7900 | Profit before income tax | 1,285,411 | 23 | 984,841 | 14 |
| 7950 | Income tax expense (Note 4 and 25) | 181,824 | 3 | 163,820 | 2 |
| 8200 | Net profit for the year | 1,103,587 | 20 | 821,021 | 12 |

(continued)

| Code | | Year 2020 Amount | Year 2020 % | Year 2019 Amount | Year 2019 % |
|---|---|---|---|---|---|
| | Other comprehensive income (Loss) (Note 4, 13, 21, 22, and 25) | | | | |
| | Items that will not be reclassified subsequently to profit or loss: | | | | |
| 8311 | Remeasurements of defined benefit plan | ($ 608) | - | $ 5,646 | - |
| 8316 | Unrealized gains (loss) on investments in equity instruments at fair value through other comprehensive income | 1,032,335 | 18 | 122,885 | 2 |
| 8330 | Share of the other comprehensive income (loss) of associates accounted for using equity method | 43,970 | 1 | 3,906 | - |
| 8349 | Income tax related to item that will not be reclassified subsequently to profit or loss | ( 3,332) | - | ( 60) | - |
| 8310 | | 1,072,365 | 19 | 132,377 | 2 |
| | Items that may be Reclassified subsequently to profit or loss: | | | | |
| 8361 | Exchange differences on Translating the financial statements of foreign operations | 41,058 | - | ( 192,308) | ( 3) |

(continued)

| Code | | Year 2020 Amount | Year 2020 % | Year 2019 Amount | Year 2019 % |
|---|---|---|---|---|---|
| 8370 | Share of the other comprehensive loss of associates accounted for using the equity method | ( 5,315) | - | ( 8,821) | - |
| 8399 | Income tax relating to be items that may be reclassified subsequently to profit or loss | ( 8,212) | - | 38,462 | 1 |
| 8360 | | 27,531 | - | ( 162,667) | ( 2) |
| 8300 | Other comprehensive income (loss) for the year, net of income tax | 1,099,896 | 19 | ( 30,290) | - |
| 8500 | Total comprehensive income of the year | $ 2,203,483 | 39 | $ 790,731 | 12 |
| | Earnings per share (Note 26) | | | | |
| 9710 | Basic | $ 1.90 | | $ 1.41 | |
| 9810 | Diluted | $ 1.89 | | $ 1.41 | |

The accompanying notes are an integral part of the consolidated financial statement.

**Notice to Readers:**

The consolidated financial statement (Chinese version) of our company is audited by the CPA Cheng-Chun Chiu and CPA Hsiu-Chun Huang of Deloitte Taiwan. For the convenience of reading, the statement has been translated from Chinese to English. If there is any difference regarding the context or interpretation in the English version, the Chinese version shall prevail.

Asia Polymer Corporation and subsidiaries
Consolidated statement of changes in equity
For The Years Ended December 31, 2020 and 2019

(In Thousands New Taiwan Dollars)

| Code | | Equity Attributable to Owners of the company (Note 4, 8, 22, and 23): Share Capital: Shares (In thousands) | Share Capital: Ordinary Shares | Capital surplus | Retained earnings: Legal reserve | Retained earnings: Special reserve | Retained earnings: Unappropriated Earnings | Other equity: Exchange differences on Translating the Financial Statements of Foreign Operations | Other equity: Unrealized gains (loss) on Financial Assets at Fair Value Through Other comprehensive income | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| A1 | Balance on January 1, 2019 | 554,382 | $ 5,543,827 | $ 19,619 | $ 1,684,469 | $ 565,379 | $ 1,851,499 | ($ 59,292) | ($ 1,065) | $ 9,604,436 |
| A3 | Effects of retrospective application | - | - | - | - | - | (855) | - | - | (855) |
| A5 | Balance at January 1, 2019 as Restated | 554,382 | 5,543,827 | 19,619 | 1,684,469 | 565,379 | 1,850,644 | (59,292) | (1,065) | 9,603,581 |
| | Appropriation of the 2018 of earnings | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 28,683 | - | (28,683) | - | - | - |
| B5 | Cash dividends distributed | - | - | - | - | - | (166,315) | - | - | (166,315) |
| C3 | Reclassification of past dividends to capital surplus | - | - | 3,087 | - | - | - | - | - | 3,087 |
| C7 | Changes in capital surplus form investments in associates accounted for using equity method | - | - | 1,694 | - | - | (3,328) | - | 370 | (1,264) |
| D1 | Net profit for the year ended December 31, 2019 | - | - | - | - | - | 821,021 | - | - | 821,021 |
| D3 | Other comprehensive income (loss) for the year ended December 31,2019 net of income tax | - | - | - | - | - | 4,063 | (162,667) | 128,314 | (30,290) |
| D5 | Total comprehensive income (loss) for the year ended December 31,2019 | - | - | - | - | - | 825,084 | (162,667) | 128,314 | 790,731 |
| Q1 | Disposition of instrument in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | - | 29,680 | - | (29,680) | - |
| Z1 | Balance at December 31, 2019 | 554,382 | 5,543,827 | 24,400 | 1,713,152 | 565,379 | 2,507,082 | (221,959) | 97,939 | 10,229,820 |
| | Appropriation of the 2019 earnings | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 85,058 | - | (85,058) | - | - | - |
| B5 | Cash dividend distributed | - | - | - | - | - | (332,630) | - | - | (332,630) |
| B9 | Share dividend to distributed | 27,719 | 277,191 | - | - | - | (277,191) | - | - | - |
| C3 | Reclassification of past dividends to capital surplus | - | - | 901 | - | - | - | - | - | 901 |
| C7 | Changes in capital surplus form investments in associates accounted for using equity method | - | - | 7,971 | - | - | (7,522) | - | 7,522 | 7,971 |
| D1 | Net profit for the year ended December 31, 2020 | - | - | - | - | - | 1,103,587 | - | - | 1,103,587 |
| D3 | Other comprehensive income (loss) for the year ended December 31,2020 net of income tax | - | - | - | - | - | 1,263 | 27,531 | 1,071,102 | 1,099,896 |
| D5 | Total comprehensive income (loss) for the year ended December 31,2020 | - | - | - | - | - | 1,104,850 | 27,531 | 1,071,102 | 2,203,483 |
| Q1 | Disposition of instrument in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | - | (19,351) | - | 19,351 | - |
| Z1 | Balance at December 31, 2020 | 582,101 | $ 5,821,018 | $ 33,272 | $ 1,798,210 | $ 565,379 | $ 2,890,180 | ($ 194,428) | $ 1,195,914 | $ 12,109,545 |

The accompanying notes are an integral part of the consolidated financial statement.

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**Notice to Readers:**

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Asia Polymer Corporation and Subsidiaries

Consolidated statement of cash flows

For The Years Ended December 31, 2020 and 2019

(In Thousands of New Taiwan Dollars)

| Code | | Year 2020 | Year 2019 |
|---|---|---|---|
| | Cash flows from operating activities | | |
| A10000 | Income before income tax | $ 1,285,411 | $ 984,841 |
| A20010 | Adjustments for: | | |
| A20100 | Depreciation expense | 314,601 | 304,100 |
| A20200 | Amortization expense | 35 | 35 |
| A20400 | Net (gain) loss on fair value change of financial assets at fair value through profit or loss | ( 25,388 ) | ( 44,078 ) |
| A20900 | Interest expense | 42,537 | 56,163 |
| A21200 | Interest income | ( 7,682 ) | ( 14,876 ) |
| A21300 | Dividend income | ( 104,544 ) | ( 83,146 ) |
| A22300 | Share of profit of associates | ( 125,438 ) | ( 53,117 ) |
| A22500 | Loss on disposal of property, plant and equipment | - | 20 |
| A23200 | Loss on disposal of investment using equity method | 527 | - |
| A23700 | Reversal of write-down of inventories | ( 408 ) | ( 4,039 ) |
| A24100 | Net loss (gain) on foreign currency exchange | ( 2,813 ) | 4,534 |
| A30000 | Change in operating assets and liabilities | | |
| A31115 | Financial assets mandatorily classified as at fair value through profit or loss | 1,589,827 | ( 989,589 ) |
| A31130 | Notes receivable | - | 472 |
| A31150 | Accounts receivable | 48,844 | 115,232 |
| A31160 | Accounts receivable from related parties | ( 40,524 ) | 9,347 |
| A31180 | Other receivables | ( 2,387 ) | ( 28 ) |
| A31190 | Other receivable from related parties | 1,990 | ( 1,545 ) |
| A31200 | Inventory | 74,954 | 396,647 |
| A31230 | Prepayments | 17,035 | ( 12,812 ) |
| A31240 | Other current assets | ( 797 ) | - |
| A32110 | Financial liability held for trading | - | ( 2,074 ) |
| A32150 | Accounts payable | 104,151 | ( 123,334 ) |
| A32160 | Accounts payable from related parties | ( 3,109 ) | ( 31,000 ) |
| A32180 | Other payables | 13,092 | 47,298 |
| A32190 | Other payables from related parties | ( 116,748 ) | 38,723 |
| A32230 | Other current liabilities | 12,519 | ( 310 ) |
| A32240 | Net defined benefit liabilities | ( 11,420 ) | ( 37,156 ) |

(continued)

| Code | | Year 2020 | Year 2019 |
|---|---|---|---|
| A33000 | Cash generated from (used in) operations | 3,064,265 | 560,308 |
| A33100 | Interest received | 7,459 | 15,143 |
| A33300 | Interest paid | ( 43,096 ) | ( 55,801 ) |
| A33500 | Income tax paid | ( 150,282 ) | ( 21,029 ) |
| AAAA | Net cash generated from (used in) operating activities | 2,878,346 | 498,621 |
| | Cash flows from investing activities | | |
| B00020 | Proceeds from sale of financial assets at fair value through other comprehensive income-current | 12,277 | 45,727 |
| B00030 | Capital reduction of financial assets at fair value through other comprehensive income | 34,135 | 24,690 |
| B00040 | Acquisition of financial assets at amortized cost | ( 42,648 ) | - |
| B01800 | Acquisition of associates | ( 783,964 ) | ( 1,280,719 ) |
| B02400 | Proceeds from capital reduction of investments accounted for using equity method | 3,876 | - |
| B02700 | Payments of property, plant and equipment | ( 284,827 ) | ( 68,524 ) |
| B02800 | Proceeds from disposal of property, plant and equipment | - | 182 |
| B03700 | Decrease (increase) in refundable deposits | ( 1 ) | 2 |
| B07600 | Dividends received | 131,573 | 147,795 |
| B09900 | Increase in other non-current assets | 13,314 | ( 31,618 ) |
| BBBB | Net cash used in investing activities | ( 916,265 ) | ( 1,162,465 ) |
| | Cash flows from financing activities | | |
| C00100 | Repayments of short-term borrowings | ( 400,000 ) | ( 250,000 ) |
| C00600 | Proceeds from (repayments of) short-term bills payable | ( 650,000 ) | 50,000 |
| C01600 | Proceeds from long-term borrowings | 5,400,000 | 12,500,000 |
| C01700 | Repayment of long-term borrowings | ( 6,300,000 ) | ( 11,650,000 ) |
| C03100 | Decrease in guarantee deposit received | 3,200 | - |
| C04020 | Repayment of the principal portion of lease liabilities | ( 5,917 ) | ( 5,864 ) |
| C04300 | Increase (decrease) in other non-current liabilities | ( 3,819 ) | 1,249 |
| C04500 | Dividends paid to owners of the company | ( 332,685 ) | ( 166,340 ) |
| CCCC | Net cash generated from financing activities | ( 2,289,221 ) | 479,045 |

(continued)

| Code | | Year 2020 | Year 2019 |
|---|---|---|---|
| DDDD | Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies | ( 5,832 ) | ( 10,788 ) |
| EEEE | Net decrease in cash and cash equivalents | ( 332,972 ) | ( 195,587 ) |
| E00100 | Cash and cash equivalents at the beginning of the year | 938,616 | 1,134,203 |
| E00200 | Cash and cash equivalents at the end of the year | $ 605,644 | $ 938,616 |

The accompanying notes are an integral part of the consolidated financial statement.

**Notice to Readers:**

The consolidated financial statement (Chinese version) of our company is audited by the CPA Cheng-Chun Chiu and CPA Hsiu-Chun Huang of Deloitte Taiwan. For the convenience of reading, the statement has been translated from Chinese to English. If there is any difference regarding the context or interpretation in the English version, the Chinese version shall prevail.

Notice to Readers:
The Interim consolidated financial statement (Chinese version) of our company is reviewed by the CPA Cheng-Chun Chiu and CPA Hsiu-Chun Huang of Deloitte Taiwan. For the convenience of reading, the statement has been translated from Chinese to English. If there is any difference regarding the context or interpretation in the English version, the Chinese version shall prevail.

# Asia Polymer Corporation and Subsidiaries

## Notes for consolidated financial statement

January 1st to December 31st, 2020 and 2019

(unless otherwise noted, the unit of the amount is NT$ Thousand)

1. Company history

Asia Polymer Corporation (hereinafter referred to as "the company" was founded in January 1977 to engage with the manufacturing and marketing of low-density polyethylene, medium density polyethylene, and ethylene vinyl acetate.

Our stock is listed in Taiwan Stock Exchange for trading. Up to December 31st, 2020, the total shareholding ratio of ordinary shares held by the ultimate parent entity, USI Corporation (USI), is 36.08%.

The consolidated financial statement is presented by the functional currency, New Taiwan Dollar, used in our company.

2. Date and procedure of approving financial statement

The consolidated financial statement was approved by the Board of Directors on March 5th, 2021.

3. Appliable new published and revised standards and interpretations

   1) First-time preparation shall apply the effective International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations (IFRIC), and Interpretation Announcement (SIC) (hereinafter referred to all above as "IFRSs") recognized and published by Financial Supervisory Commission (hereinafter referred to as FSC). The application of revised IFRSs recognized by FSC will not cause significant changes in the accounting policies used by our company and the entity controlled by our company (hereinafter referred to as "the consolidated company".

   2) Applicable IFRSs recognized by FSC in 2021

| New/ revised/ modified standards and interpretations | Effective date published by IASB |
|---|---|
| The revised IFRS 4 is "applicable to the extension of temporary exemption specified in IFRS 9". | Effective from the publication date |
| The revised "Interest Rate Benchmark Reform – phrase 2" in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. | Effective for the reporting period after January 1st, 2021 |
| Revised "COVID-19 Pandemic-related Rental Concessions" in IFRS 16. | Effective for the reporting period after June 1st, 2020. |

3) IFRSs that have been published by IASB but not been approved and published for effectiveness by FSC.

| New/ revised/ modified standards and interpretations | Effective date published by IASB(Note 1) |
|---|---|
| "Annual improvements in the cycle of 2018-2020" | January 1st, 2022 (Note 2) |
| Revised "Update of Index to Conceptual. Framework" in IFRS 3 | January 1st, 2022 (Note 3) |
| Revised "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture " in IFRS 10 and IAS 28 | Pending |
| "Insurance contract" in IFRS 17 | January 1st, 2023 |
| Revision of IFRS 17 | January 1st, 2023 |
| Revise "Liabilities Classification to Current or Non-current" in IAS 1 | January 1st, 2023 |
| Revised "Disclosure of Accounting Policy" in IAS 1 | January 1st, 2023 (Note 6) |
| Revised "Definition of Accounting Estimate" in IAS 8 | January 1st, 2023 (Note 7) |
| Revised "Property, Plant and Equipment: Achieving the Price before the predetermined state" in IAS 16 | January 1st, 2022 (Note 4) |
| Revised "Onerous Contract – Cost of Performing the Contract" in IAS 37 | January 1st, 2022 (Note 5) |

Remark 1: Unless otherwise noted, the new/ revised/ modified standards or interpretations above shall be effective in the annual reporting period starting after the publication date.

Remark 2: The revision of IFRS 9 is applicable to the exchange of provision modification on financial liabilities occurred in the annual reporting period starting after January 1st, 2022. The revision of "agriculture" in IAS 41 is applicable to fair value measurement in the annual reporting period starting after January 1st, 2022. The revision of "first-time application of

IFRSs" in IFRS 1 is the retrospective application to the annual reporting period starting after January 1st, 2022.

Remark 3: Enterprises that carry out merger or acquisition with the acquisition date in the annual reporting period starting after January 1st, 2022 shall be applicable to the revision.

Remark 4: Plant, property and equipment that achieve the location and status required in the operating method expected by the management level after January 1st, 2021 shall be applicable to the revision.

Remark 5: Contacts with all the obligations not being performed on January 1st, 2022 will be applicable to the revision.

Remark 6: The deferral in the annual reporting period starting after January 1st, 2023 shall be applicable to the revision.

Remark 7: Changes in accounting estimates and accounting policies happened in the annual reporting period starting after January 1st, 2023 shall be applicable to the revision.

a. The revision of "disclosure of accounting policy" in IAS 1

The revision specifies that the consolidated company shall determine the disclosure of important accounting policy based on the definition of materiality. The accounting policy information will be regarded as significance if it can be reasonably expected to affect the decision-making based on the related financial statement by the main users of the general financial statement. The revision also clarifies:

- Accounting policy information related to non-major transaction, other matters or situations will be regarded non-significant, and the consolidated company does not need to disclose the information related.
- The consolidated company might determine the relevant information of accounting policy as significant due to the nature of transaction, other matters or situations even though the amount is not significant.

- Not all the information of accounting policy related to major transactions, other matters or situations shall be significant.

In addition, the revision also demonstrates the information might be material if it is related to major transactions, other matters or situations as well as involves with the following situations.

(1) The consolidated company changes the accounting policy during the reporting period, and the change causes significant changes of the information provided in the financial statement.

(2) The consolidated company selects the applicable accounting policy from the options permitted in the standards.

(3) Due to the lack of regulations on the specific standard, the consolidated company establishes the accounting policy according to "Accounting Policy, Accounting Estimate Chang and Mistakes" in IAS 8.

(4) The consolidate company discloses the accounting policy determined by exercising significance judgement or assumptions. Or

(5) It involves with complicated regulations to handle the accounting, and the users of the financial statement rely on the information to understand the major transactions, other matters or situations.

b. The revision of "definition of accounting estimate" in IAS 8

The revision specifies that accounting estimate refers to the currency amount in the financial statement affected by uncertainty of measurement. When using the applicable accounting policy, the consolidated company might need to evaluate the items in the financial statement with the currency amount that is not able to be observed directly but could only be estimated. Therefore, evaluating technology and input value shall be used to establish accounting estimate in order to achieve the purpose. If the impact on the accounting estimate caused by the change of evaluating technology or input value is not from the correction of prior period error, the change shall be regarded as the change of accounting estimate.

Moreover, the revision also demonstrates the information might be material if it is related to major transactions, other matters or situations as well as involves with the following situations.

The consolidated company changes the accounting policy during the reporting period, and the change causes significant changes of the information provided in the financial statement.

The consolidated company selects the applicable accounting policy from the options permitted in the standards.

Due to the lack of regulations on the specific standard, the consolidated company establishes the accounting policy according to "Accounting Policy, Accounting Estimate Change and Mistakes" in IAS 8.

The consolidate company discloses the accounting policy determined by exercising significance judgement or assumptions, or it involves with complicated regulations to handle the accounting, and the users of the financial statement rely on the information to understand the major transactions, other matters or situations.

By the date that the consolidated financial statement is approved and published, the consolidated company still continues evaluating the impact of revision of other standards and interpretations on financial status and financial performance. Relevant results will be disclosed when the evaluations are completed.

4. <u>Summarized explanation of material accounting policy</u>

1) Statement of compliance

The consolidated financial statement was prepared according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and the effective IFRSs recognized and published by FSC.

2) Basis of preparation

Other than using financial instrument evaluated at fair value and net defined benefit liability recognized at fair value based on present value of a defined benefit obligation deducting plan assets, the consolidated financial statement was prepared according to the basis of historical costs.

The fair value measurement can be classified into level 1 to level 3 based on the observability and importance of the input values.

a. Level 1 input value: It refers to the quotation of the same asset or liability in the active market that can be obtained on the measurement day (without adjustment).
b. Level 2 input value: It refers to the input value of the asset or the liability that can be directly (that is the price) or indirectly (that is the estimate from the price) observed other than the quotation on the level 1.
c. Level 3 input value: It refers to the input value of the asset or the liability that cannot be observed.

3) Standards used to distinguish current and non-current assets and liabilities

Current assets include:

a. Assets held mainly for the purpose of trading;
b. Assets that are expected to be realized within 12 months after the date of balance sheet; and
c. Cash and cash equivalents (but not limited to the limitation by exchange or settlement of liability more than 12 months after the date of balance sheet).

Current liabilities include:

a. Liabilities held mainly for the purpose of trading;
b. Liabilities that are due and settled within 12 months after the date of balance sheet (even though the long-term refinancing has been completed or payment agreement has been re-arranged between the date of balance sheet and the date of approving and publishing the financial statement, it will be regarded as current liability), and
c. Liabilities that are not able to be deferred to at least 12 months after the date of balance sheet without conditions. However, the classification will not be affected if the provision of the liability might be settled by issuing equity instrument based on the selection of the counterparty of the trading.

Current assets or current liabilities that do not belong to any of above shall be classified as non-current assets or non-current liabilities.

4) Basis of consolidation

The consolidated financial statement includes the financial statements from our company and the entities controlled by our company (subsidiaries). The consolidated income statement has included the operating gains or losses in the merged or disposed subsidiary from the acquisition date or until the disposal date of the year. The financial statements from the subsidiaries have been adjusted to make sure the accounting policy used is the same as that in the consolidated company. When preparing the consolidated financial statement, the trading, account balance, revenue, and expense among each entity have been all eliminated. The total comprehensive income from the subsidiaries is attributed to the shareholders of the company and its non-controlling interest even it makes the non-controlling interest as loss balance.

When the change of ownership interest on the subsidiary made by the consolidated company does not cause the loss of control, it shall be handed as equity transaction. The book value of the consolidated company and non-controlling interest have been adjusted to reflect the change of relative equity in the subsidiary. The difference between the adjusted amount on the noon-controlling interest and the fair value of consideration paid or received will be directly recognized as equity as well as attributed to the shareholders in the company. Please refer to Note 12 and attached Table 6-7 for the list of subsidiaries, shareholding ratio, and business items.

5) Foreign currency

When each entity prepares the financial statement, a record of functional currency shall be converted with the exchange rate on the trading date if the transaction is done by the currency (foreign currency) that is not the functional currency used in the entity.

Foreign currency monetary item shall be exchanged with the closing rate on each balance sheet date. The foreign exchange difference caused by the settlement of monetary items or the exchange of monetary items shall be recognized as profit or loss for the period.

Nonmonetary items of foreign currency measured at fair value shall be exchanged by the exchange rate on the fair value measurement date. The exchange difference generated shall be listed as the profit or loss for the period. However, the exchange difference generated from the change of fair value that is recognized in other comprehensive income shall be listed in other comprehensive income.

The nonmonetary items of foreign currency measured by historical costs shall be exchanged with the exchange rate of the transaction date, and it will not be evaluated again.

When preparing the consolidated financial statement, the assets and the liabilities of the foreign operations (including subsidiaries, associates, or branch companies that are in the different from our company or use different currency from our company) shall be exchanged to NTD with the exchange rate on each balance sheet date. The items of revenue and expense shall be converted with the average exchange rate for the period, and the exchange difference generated shall be listed in other comprehensive income.

If the consolidate company disposes all the equity in the foreign operation or disposes part of equity in the subsidiary of the foreign operation but loses control, or disposes joint agreement in the foreign operation, or the retained surplus of the associate is a financial asset and is handled according to accounting policy of financial instrument, all the accumulated exchange difference related to the foreign operation will be re-classified to profit or loss.

If the partial disposal in the subsidiary of foreign operation does not cause the loss of control, the accumulated exchange difference shall be re-allocated to the non-controlling interest of the subsidiary according to the ratio instead of recognizing it as profit or loss. Under other situations of partial disposal in the foreign operation, the accumulated exchange difference shall be re-classified to profit or loss according to the ratio of disposal.

6) Inventory

Inventory includes raw materials, commodities, semi-products, and finished products. Inventory shall be measured by cost or net realizable value, depending on which one is lower. When comparing the cost and the net realizable value, it shall be based on individual item except inventory in the same category. Net realizable value refers to the balance of estimated selling price under normal situation deducting the estimated cost that might be invested all the way to completion as well as the estimated cost required for concluding the sales. The calculation of inventory cost uses weighted average method.

7) Investment using equity method

Associates refers to the enterprises that the consolidated company exercises important impact but not its subsidiaries or joint ventures.

The consolidated company applies equity method when handing the invested associates. Under the equity method, the investment to the associate is recognized as the cost initially. The book value after acquisition date will be increased or decreased along with the profit or loss in the associate entitled by the consolidated company as well as other comprehensive income share and profit allocation. In addition, the change of entity in the associate shall be recognized according to shareholding ratio.

The amount of acquisition cost that is over the identifiable asset in the associate entitled by the consolidated company on the acquisition date and the share of net fair value on the liability shall be listed as goodwill. The goodwill is included in the book value of the investment and must not be amortized. The amount of the identifiable asset in the associate entitled by the consolidated company on the acquisition date and the share of net fair value on the liability that is over the acquisition cost shall be listed as profit or loss for the period.

When the associate issues new shares and the invested equity increased or decreased due to the consolidated company fails to purchase new shares based on the shareholding ratio and causes the change on shareholding ratio, the change of its number adjusts the capital reserve, using equity method to recognize the change of net value in the associate and using equity method for investment. If the failure of purchasing or acquiring based on the shareholding ratio causes the decrease of the ownership interest in the associate, the amount recognized in other comprehensive income related to the associate shall be re-classified according to the ratio of decrease. The basis of its accounting treatment shall be the same as the basis followed if the associate is to directly dispose the relevant asset or liability. If the above adjustment is to be credited to the capital surplus but the balance of the capital surplus generated from the investment using equity method is insufficient, the difference shall be credited to retained earnings.

When the shares in the associate lost by the consolidated company is equal to or more than its equity in the associate (including the book value of investment to the associate using equity method and other substantial long-term equity of net investment to the associate from the consolidated company), further losses shall stop being recognized. The consolidated company will only recognize additional loss and liability for legal obligation or constructive obligation involved or the scope of payment paid on behalf of the associate.

When evaluating impairment, the consolidated company shall treat the whole book value (including goodwill) invested as a single asset to compare the recoverable amount and the book value for impairment test. The recognized impairment loss will not be amortized to any asset that consists of the book value of the investment. Any reversal of impairment loss can be recognized within the scope of subsequent increase of recoverable amount for the investment.

The consolidated company shall stop using equity method when the date that the investment is no longer its associate. The retained equity towards the original associate shall be measured at fair value. The difference between the fair value & the disposal proceeds and the book value of the investment on the day stop using equity method shall be listed to profit or loss for the period. Moreover, All the amount recognized in other comprehensive income related to the associate shall use the same basis of accounting treatment as the basis that must be followed if the associate directly disposes relevant assets or liabilities.

The profits or losses generated from the upstream, downstream, and side-stream transactions between the consolidated company and its associate shall only be recognized in the consolidate financial statement within the scope that is not relevant to the equity in the associate possessed by the consolidated.

8) Property, plant, and equipment

Property, plant, and equipment are recognized ass costs, and shall be measured subsequently with the amount of cost deducting accumulated depreciation and accumulated impairment loss.

The property, plant, and equipment under construction shall be recognized with the amount of cost deducting accumulated impairment loss. Costs include expenses of professional service and the borrowing cost that meets the conditions of capitalization. This kind of assets shall be classified to the proper category for property, plant, and equipment when the construction is completed and the expected using status is achieved as well as started to make provision for depreciation.

Except that no provision of depreciation for private-owned lands, the rest property, plant, and equipment shall be made provision for depreciation independently to each major part based on linear basis within the service life. The consolidated company shall review the methods used to estimate service life, residual value, and depreciation at least on each fiscal closing date as well as the impact of prospective application on the change of accounting estimates.

When property, plant, and equipment are derecognized, the difference between the net disposal proceeds and the book value of the asset shall be recognized in the profit or loss.

9) Investment property

Investment property is the property held for the purpose of earning the rent or capital appreciation, or both (including right-of-use asset that meets the definition of investment property). Investment property also includes the lands that are currently possessed but have not been decided for the purpose of use in the future.

Private-owned investment property shall be measured as cost (including transaction cost) initially, and it shall be subsequently measured with the amount of cost deducting accumulated depreciation and accumulated impairment loss.

Investment property obtained through lease shall be measured as cost initially. It shall be subsequently measured with the amount of cost deducting accumulated depreciation and accumulated impairment loss as well as adjusted the remeasurement of lease liability.

All investment properties shall be made provision for depreciation based on linear basis.

When the investment property is derecognized, the difference between net disposal proceeds and the book value of the asset shall be recognized in the profit or loss.

10) Intangible asset

a. Independent acquisition

Intangible assets with defined service life that are acquired independently shall be measured as cost initially. They shall be measured with the amount of cost deducting accumulated amortization and accumulated impairment loss afterwards. Intangible assets shall be amortized based on linear basis within the service life. The consolidated company shall review the method used to estimate service life, residual value, and amortization at least on each fiscal closing day as well as the impact of prospective application on the change of accounting estimates. Intangible assets with non-defined service life shall be recognized by cost deducting accumulated impairment loss.

b. Derecognition

When derecognizing intangible assets, the difference between the net disposal proceeds and the book value of the asset shall be recognized as the profit or loss for the period.

11) Impairment loss of property, plant and equipment, right-of-use asset, intangible asset, and assets related to contract cost

The consolidated shall evaluate whether there is any sign showing the property, plant and equipment, right-of-use asset, and intangible asset involved with impairment loss on each date of balance sheet. If there is any indication of impairment loss, the recoverable amount of the asset shall be evaluated. In case of failure in estimating the recoverable amount for individual asset, the consolidated company shall evaluate the recoverable amount at the cash generating unit that the asset belongs to. Corporate assets shall be allocated to each individual cash generating unit based on a reasonable and consistent basis.

For intangible assets with non-defined service life and unavailable to be used yet shall be carried out impairment test at least every year or when there is a sign of impairment.

Recoverable amount is fair value deducting selling cost and higher use value. If the recoverable amount for individual asset or cash generating unit is lower than its book value, the book value of the asset or cash generating unit shall be reduced back to its recoverable amount. The impairment loss shall be recognized in profit or loss.

Inventory recognized due to the contract with customers shall be listed as impairment first according to inventory impairment regulation. Then, it shall be recognized as impairment loss according to the amount of balance between the excessive book value of the contract cost related to the asset and expected consideration receivable from the relevant product or service. After that, the book value of the asset relevant to the contract cost shall be included into the relevant cash generating unit to carry out the impairment evaluation in the cash generating unit.

When the impairment loss is reversed in the future, the book value of the asset, the cash generating unit or the asset relevant to the contract cost shall be adjusted to the recoverable amount revised. However, the increased book value must not exceed the book value (deducting amortization or depreciation) determined on the asset, the cash generating unit, or the asset relevant to contract cost before the impairment loss recognized in the previous fiscal year. The reversal of impairment loss shall be recognized in the profit or loss.

12) Financial instrument

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the consolidated company becomes a party for the provision of the instrument contract.

For the Initial recognition of financial assets and financially liabilities, if they are not measured at fair value through profit or loss, they shall be measured at the directly attributable transaction cost of the acquired or issued financial asset or financial liability accrued at fair value. Transaction cost that can be directly attributable to the acquired or issued financial asset or financial liability measured at fair value through profit or loss shall be immediately recognized as profit or loss.

a. Financial asset

The regular way purchase or sale of financial asset uses recognition and derecognition on trade date accounting.

(1) Type of measurement

The financial assets possessed by the consolidate company include financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and investments in equity instruments measured at fair value through other comprehensive income.

A. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets with mandatory measurement at fair value through profit or loss. Financial assets with mandatory measurement at fair value through profit or loss include investments in equity instruments that are not specified by the consolidated company to measure at fair value through other comprehensive income as well as derivative instruments and fund beneficiary certificate that cannot be classified as measured at amortized cost or measure at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss recognize the dividend and interest generated from the measurement at fair value as other revenue and interest revenue before evaluating the profit or loss generated to recognize it in other profit and loss. The method used to determine fair value can be referred to Note 28.

B. Financial assets measured at amortized cost

If the financial asset invested by the consolidated company meets both of the following conditions, it shall be classified as financial assets measured at amortized cost:

(a) it is possessed under a certain operating mode, and the purpose of the mode is to collect contractual cash flows through the financial asset possessed; and

(b) cash flows generated on specific date due to the contract, and the cash flows are specifically to pay for the interests of principal and outstanding principal.

After the initial recognition of the financial asset measured at amortized cost (including cash and cash equivalents as well as accounts receivable and other receivables measured at amortized cost), it shall be measured by the total book value determined via effective interest method deducting amortized cost of any impairment loss. Any profit or loss caused by foreign currency exchange shall be recognized as profit or loss.

Except the following two situation, interest revenue shall be calculated by effective interest rate multiplying total book value of the financial asset:

(a) The interest revenue of the purchased or originated credit-impaired financial asset is calculated by the effective interest rate after credit adjustment multiplying the amortized cost of the financial asset.

(b) Financial asset without purchased or originated credit impairment but becomes credit impairment in the future shall calculate the interest revenue by the effective interest rate for the next reporting period from the credit impairment multiplying the amortized cost of the financial asset.

Credit-impaired financial asset refers to the issuer or debtor suffering critical financial difficulty or violating contract, and debtors are likely to claim bankruptcy or other financial reorganization, or the active market for the financial asset disappears due to financial difficulty.

Cash equivalents include time deposits that are with high liquidity, can be converted momentarily at any time, and with very small risk of value change and reverse repurchase bond. They are used to satisfy short-time cash commitment.

C. Investments in equity instruments measured at fair value through other comprehensive income

Consolidated company can make an irrevocable choice for initial recognition to appoint the investment recognized as non-holding for trading and non-business acquisition or merger or the investment in equity instrument containing consideration to be measured at fair value through other comprehensive income.

After investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, the change of fair value afterwards shall be recognized in other comprehensive as well as accumulated in other equity. When the investment is disposed, the accumulated income will be directly transferred to retained earnings instead of being re-classified to profit or loss.

The divided of the investment in equity instrument measured at fair value through other comprehensive income shall be recognized as profit or loss when the consolidated company’s right of collection is confirmed unless the dividend obviously represents the recovery of part of investment cost.

(2) Impairment of financial asset

The consolidated company shall evaluate the impairment loss of the financial asset (including accounts receivable) at amortized cost according to expected credit loss evaluation on each date of balance sheet.

Accounts receivable shall be recognized as allowance for loss according to the expected credit loss during the duration. Other financial assets shall be evaluated whether the credit risk is significantly increased after initial recognition first. If there is no significant increase, it shall be recognized in allowance for loss based on 12-month expected credit loss. If the risk has been significantly increased, it shall be recognized in allowance for loss based on the expected credit loss during the duration.

Expected credit loss is the weighted average credit loss that uses the risk of contract violation as the weight for evaluation. The 12-month expected credit loss is the expected credit loss on the financial instrument generated from potential matters of contract violation within 12 months after report date. The expected credit loss during duration refers to the expected credit loss on the financial instrument generated from potential matters of contract violation during the duration.

For the purpose of internal credit risk management, the consolidated company will determine contract violation on financial assets under the following situations without considering the collateral held.

A. An internal or external information reveals the debtor will never settle the debt.

B. If overdue, reasonable and provable information shall be presented to support the contract violation basis of deferral will be more appropriate.

The impairment loss for all financial assets shall be adjusted to the book value through the allowance account.

(3) Derecognition of financial asset

Consolidated company shall only derecognize the financial asset when the contractual rights on the cash flows from the financial asset is invalid, or the financial asset has been transferred and almost all risks and rewards of the asset ownership have been transferred to another enterprise.

When derecognizing whole financial asset measured at amortized cost, the difference between its book value and consideration received shall be recognized as profit or loss. When derecognizing whole investment in equity instrument measured at fair value through other comprehensive income, the accumulated income will be directly transferred to retained earnings instead of being reclassified as profit or loss.

b. Financial liability

(1) Subsequent measurement

Except the following situations, all financial liabilities shall be measured at amortized cost with effective interest method.

<u>Financial liabilities measured at fair value through profit or loss</u>

Financial liabilities measured at fair value through profit or loss is held for trading.

Financial liabilities held for trading are measured at fair value, and relevant gains or losses shall be recognized in other gains and losses.

Method of determining fair value can be referred to Note 28.

(2) Derecognition of financial liability

When derecognizing financial liability, the difference between its book value and the consideration paid (including any non-cash asset transferred or liability undertaken) shall be recognized as profit or loss.

c. Derivative instrument

Derivative instruments signed by the consolidated company are forward exchange contracts to manage interest rate and exchange rate risks for the consolidated company.

When signing contract for financial instruction, the financial instrument is initially recognized with fair value before being re-measured at fair value on the date of balance sheet. The profit or loss generated at the subsequent measurement will be directly listed to profit or loss. However, the point of time for derivative instruments that are appointed as effective hedging instruments to be recognized in profit or loss will be based on the nature of hedging relationship. When the fair value of the derivative instrument is a positive value, it shall be listed as a financial asset. When the fair value is a negative value, it shall be listed as a financial liability.

If the derivative instrument is embedded to the asset master contract within the scope of "financial instrument" in IFRS 9, the classification of the financial asset will be determined based on the whole contract. If the derivative instrument is embedded to the asset mater contract within non-IFRS 9 scope (such as embedded to financial liability mater contract), the embedded derivative instrument meets the definition of derivative instrument, its risk and feature are not closed related to the risk and feature of the master contract, and the hybrid contract is not measured at fair value through profit and loss, the derivative instrument shall be regarded as independent derivative instrument.

13) Revenue recognition

After identifying contract performance obligation from the contract with customer, the consolidated company shall amortize the transaction price to each obligation of contract performance and recognize it as revenue when the obligation is satisfied.

<u>Merchandise sales revenue</u>

The merchandise sales revenue is from manufacturing and selling low density polyethylene, medium density polyethylene, and ethylene vinyl acetate. Due to customers hold the rights of price setup and right-of-use on the above products as well as are responsible for re-selling and undertake the risk of product obsolescence when the products are shipped out or delivered to the appointed location by customers, the consolidated company shall recognize them as revenue and accounts receivable at the point of time.

14) Lease

The consolidated company shall evaluate whether the contract is (or includes) lease on the date when the contract is established.

(1) The consolidated company is the lessor

When the provision of lease contract specifies almost all the risks and rewards under the ownership of the asset are transferred to the lessee, it shall be classified as financial lease. All the other leases shall be classified as operating lease.

When the consolidated company subleases the right-of-use asset, the right-of-use asset (not underlying asset) shall be used to determine the classification of sublease. However, if the main lease is the short-term lease that is applicable by the consolidated company to recognize as exemption, the classification of the sublease will be operating lease.

Under the operating lease, the lease payment after deduction of lease incentives shall be recognized as revenue in the relevant lease duration based on linear basis. The initial direct cost for acquiring the operating lease shall be added to the book value of the underlying asset and be recognized as expense during the lease duration based on linear basis.

(2) The consolidated company is the lessee

The lease payments from the lease of low-value underlying asset and short-term lease that are applicable for recognition as exemptions shall be recognized as expense during the lease duration on linear basis. Other leases shall be recognized as right-of-use assets and lease liabilities from the starting date of the lease.

Right-of-use assets shall be initially measured by cost (including original measurement amount of lease liability, lease payment after deducting lease incentives received paid before the starting day of the lease, original direct cost, and estimated cost for recovering the underlying asset). The subsequent measurement shall be measured at the amount of cost deducting accumulated depreciation and accumulated impairment loss. Besides, the remeasurement of the lease liability shall be adjusted. Except conforming with the definition of investment property, the right-of-use asset shall be presented in the consolidated balance sheet separately. The recognition and measurement of the right-of -use property that complies with the definition of investment property can be referred to (9) Accounting policy for investment property.

Right-of-use assets shall be recognized as the depreciation on linear basis from the lease starting date to the expiration of service life or to the date of lease expiration, whichever is earlier.

Lease liabilities are measured initially at the present value of the lease payment. If the interest rate implicit in a lease is easy to confirm, use the interest rate to discount the lease payment. If it is not easy to confirm, use lessee's incremental borrowing rate of interest.

Subsequently, the lease liability shall be measured at amortized cost using effective interest method. The interest expense shall be amortized during the lease duration. The lease liability shall be presented in the consolidated balance sheet separately.

15) Employee benefit

a. Short-term employee benefit

Liabilities related to short-term employee benefit are measured at expected non-discounted amount payment in exchanging service from employees.

b. Benefit after retirement

Pension of the defined contribution retirement plan shall be recognized as expense by the contributed pension amount during the period that the employee provides service.

Defined benefit cost (including service cost, net interest, and remeasurement) for the defined benefit pension plan shall be calculated according to the projected unit credit method. The service cost and net defined benefit liability (asset) shall be recognized as employee benefit expense when it happens. Remeasurement (including actuarial gains and losses and return on plan assets after deducting interest) shall be recognized as other comprehensive loss when happens as well as be listed as retained earnings. It will not be re-classified to profit or loss in the subsequent period.

Net defined benefit liability (asset) is appropriation deficiency (surplus) of the defined benefit pension plan. Net defined benefit asset must not be over the present value of refunded contribution from the plan or reduction in the future contribution.

16) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

a. Current income tax

The consolidated company determines the current income based on the regulations established by the competent authority of income tax declaration and then calculates income tax payable accordingly.

Income tax on undistributed earnings calculated according to the provision of Income Tax Act, R.O.C. will be recognized annually based on the resolution of Shareholder's Meeting.

The adjustment from the income tax payable in the previous year shall be listed to current income tax.

b. Deferred income tax

Deferred income tax is calculated by the temporary difference between amounts of asset showing in the account book & liability book value and tax base used to calculate income tax.

Deferred income tax liability is generally recognized by all taxable temporary difference while deferred income tax asset is recognized when there might be income tax to deduct temporary difference.

Taxable temporary difference related to the invested subsidiaries and associates shall be recognized as deferred income tax liability. However, the temporary difference under the consolidated company's control for the time spot of temporary difference reversal and it is likely not able to be reversed in the feasible future can be excluded. The deductible temporary difference related to this kind of investment can only be recognized as deferred income tax asset when it is likely to have sufficient taxable income to realize temporary difference and is within the scope of feasible future expected reversal.

The book value of deferred income tax asset shall be reviewed on each date of balance sheet. The book value for all of or part of the assets that are likely no longer to have sufficient taxable income for recovery shall be adjusted and reduced the amount. Assets that are initially recognized as deferred income tax assets shall be reviewed on each date of balance sheet. For those assets that are likely to generate taxable income to recover all or part of assets, the book value shall be adjusted and increased.

Deferred income tax asset and liability are measured at the current tax rate when the liability is expected to be settled or the asset is expected to be realized. The tax rate is based on enacted or substantively enacted tax rate and tax law on the date of balance sheet. The measurement of deferred income tax liability and asset reflects the tax result generated from the methods used for the expected recovery or settlement of asset and liability book value by the consolidated company on the date of balance sheet.

c. Current and deferred income tax

Current and deferred income tax will be recognized as profit or loss. However, current and deferred income recognized as other comprehensive income or related to the items directly added to equity shall be recognized as other comprehensive income or directly added to equity separately.

5. Main sources of critical accounting judgement, estimates, and assumption uncertainty

When using accounting policy, the management level at the consolidated company must make relevant adjustment, estimate and assumptions on the information that is not easy to be obtained further information from other sources based on the experience in the past and other relevant factors. The actual results might be different from the estimates.

The consolidated company includes the economic impact caused by the COVID-19 pandemic into the consideration of critical accounting estimates, and the management level will continue reviewing the estimates and basic assumptions. If the revised estimate only affects the current period, it shall be recognized in the period of revision. If the revised accounting estimate will affect current and future periods, it shall be recognized in the current and future periods.

Main source of estimate and assumptions uncertainty

1) Estimate impairment of financial asset

The estimate impairment of accounts receivable is based on the assumptions done by the consolidated company on default rate and expected loss rate. The consolidated company takes historical experience, current market situation, and proactive information into consideration to propose assumptions and select input value for impairment evaluation. The important assumptions and input value used can be referred to Note 10. If the actual cash flow in the future is less than the expectation, significant impairment loss might be generated.

2) Impairment of inventory

Net realizable value of inventory is estimated by the balance of expected selling price in the normal operating process deducting the estimated cost required until the completion and the estimated cost needed for the completion of sales. The estimate is evaluated according to the current market situation and historical selling experience of similar products. The change of market situation might significantly affect the result of estimate.

3) Estimate of damage and compensation expenses for the accident of gas explosion at the associate

The associate, China General Terminal & Distribution Corporation, recognizes liability preparation due to the civil damage compensation for the accident of gas explosion. The management authority considers the progress of relevant civil and criminal lawsuit and settlement as well as take reference of legal advice to estimate the reserve for the liability. However, the actual result might have difference with the current estimate.

6. Cash and cash equivalents

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Cash on hand and petty cash | $ 357 | $ 342 |
| Checking accounts and demand deposits | 169,091 | 115,043 |
| Cash equivalents | | |
| Time deposits | 436,196 | 812,231 |
| Reverse repurchase agreements collateralized by bonds | - | 11,000 |
| | $ 605,644 | $ 938,616 |

At the end of reporting period, the market rate intervals for bank deposits and reverse repurchase agreements collateralized by bonds were as below:

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Time deposits | 0.07%~1.90% | 0.56%~2.58% |
| Reverse repurchase agreements collateralized by bonds | - | 0.60% |

7. Financial instrument measured at fair value through profit or loss- current

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Financial asset- current | | |
| Financial assets mandatorily classified as at FVTPL derivative financial assets (not under hedge accounting) | | |
| －Foreign exchange forward contracts | $ - | $ 94 |

(continued)

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Non-derivative financial assets | | |
| —Domestic listed shares | 248,175 | 167,154 |
| —Mutual funds | 837,676 | 2,479,130 |
| Subtotal | 1,085,851 | 2,646,284 |
| | $ 1,085,851 | $ 2,646,378 |

Financial liabilities- current

| | | |
|---|---|---|
| Financial liabilities held for trading derivative financial liabilities (not under hedge accounting) | | |
| —Foreign exchange forward contracts | $ 3,912 | $ - |

The net profit generated from financial assets and liabilities measured at fair value through profit or loss at the consolidated company in 2020 and in 2019 were $140,504 thousand and $60,500 thousand respectively.

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as below:

December 31st, 2020

| | Currency | Validity | Contract amount (thousand dollars) |
|---|---|---|---|
| Forward exchange sold | Exchange RMB into NTD | From January 5th, 2021 to April 1st, 2021 | RMB 77,660/NTD 333,460 |

December 31st, 2019

| | Currency | Validity | Contract amount (thousand dollars) |
|---|---|---|---|
| Forward exchange sold | Exchange UDS into NTD | From January 13th, 2020 to February 5th, 2020 | USD 1,730/NTD 52,503 |
| Forward exchange sold | Exchange RMB into NTD | From January 6th, 2020 to March 30th, 2020 | RMB 72,000/NTD 309,065 |

The consolidated company engages with forward exchange transaction is for the purpose of avoiding risks on foreign currency asset and liability caused by exchange rate fluctuation. The forward exchange contract held by the consolidated company is not applicable to hedge accounting due to the failure of meeting the conditions of effective hedging.

8. Financial asset measured at fair value through other comprehensive income

Investments in equity instrument measured at fair value through other comprehensive income

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Current | | |
| Domestic investment | | |
| Listed (over the counter) stock | $ 86,368 | $ 73,352 |
| Non-current | | |
| Domestic investment | | |
| Listed (over the counter) stock | $ 2,977,139 | $ 2,059,522 |
| Pre-listed (over the counter) stock | 275,798 | 237,776 |
| Subtotal | 3,252,937 | 2,297,298 |
| Overseas investments | | |
| Listed (over the counter) stock | 17,480 | 4,946 |
| Pre-listed (over the counter) common stock | 10 | 15 |
| Pre-listed (over the counter) preferred stock | 57,117 | 55,620 |
| Subtotal | 74,607 | 60,581 |
| | $ 3,327,544 | $ 2,357,879 |

The consolidated company invests domestic and overseas common stock and preferred stock based on the purpose of medium- and long-term strategies and expects to gain profits through long-term investment. The management level at the consolidated company believes listing the short-term fair value fluctuation of the investment into profit or loss will be inconsistent with the long-time investment plan mentioned above. Therefore, they chose to designate the investment as measurement at fair value through other comprehensive income.

In August 2020, the consolidated company adjusted the investment position for risk diversification. They sold the common stock at United Renewable Energy Co., Ltd. possessed at fair value, and the relevant equity- unrealized loss of $19,351 thousand from the financial assets measured at fair value through other comprehensive income- was transferred to retained earnings.

The investee companies, KHL 1A Venture Capital Corp. and Riselink Venture Capital Corp., handled capital reduction and refund of shares in August & December 2020 and September 2020 respectively. The consolidated company was refunded $34,135 thousand in total according to shareholding ratio.

The consolidated company adjusted investment positions for risk diversification in March, May, and November 2019. Based on fair value, the consolidated company sold part of common stock in CTCI Corporation, preferred stock in Silicon Technology Investment (Cayman) Corp., and common stock in United Renewable Energy Co., Ltd. The relevant other equity- unrealized profit of $1,573 thousand and $29,295 thousand & unrealized loss of $1,088 thousand from the financial assets measured at fair value through other comprehensive income- was transferred into retained earnings.

The investee companies, Harbinger Venture Capital Corp., Budworth Investment Ltd., KHL 1A Venture Capital Corp. and Riselink Venture Capital Corp., handled capital reduction and refund of shares in January, May, and September 2019, respectively. The consolidated company was refunded $24,690 thousand in total according to the shareholding ratio.

9. Financial asset measured at amortized cost

| | December 31st, 2020 | December 31st 2019 |
|---|---|---|
| Non-current | | |
| Restricted bank deposit | $ 42,648 | $ - |

The restricted bank deposit is the surplus repatriation from Asia Polymer Corporation. It has been approved by Ministry of Economic Affairs for the applicability of our company applying offshore fund to be sent back to the investment industry.

10. Accounts receivable

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Accounts receivable | | |
| Measurement at amortized cost | | |
| Total book value | $ 547,372 | $ 593,523 |
| Reduction: allowance for loss | ( 2,000) | ( 2,000) |
| | $ 545,372 | $ 591,523 |
| Accounts receivable- related parties (Note 29) | $ 197,413 | $ 156,784 |

Accounts receivable

Accounts receivable measured at amortized cost

The average credit period of product sales in the consolidated company is around 15 to 90 days. Due to the short credit period, the accounts receivable bear no interest.

In order to reduce credit risk, the management level at the consolidated company assigns a dedicated team in charge of the decision of credit period, credit approval, and other monitoring procedures to ensure proper action has been taken towards the collection of overdue receivables. In addition, the consolidated company will verify the recoverable amount of each account receivable on the date of balance sheet to make sure the unrecoverable receivables have been recognized properly as impairment loss. In view of the above, the management level at the consolidated company believes the credit risk has been significantly reduced.

The consolidated company recognizes the allowance for loss on accounts receivable based on the expected credit loss. The expected credit loss for the duration is calculated with provision matrix, which considers customers' contract violation records in the past, current financial status, and economic situation in the industry.

The allowance for loss prepared by the consolidated company on the accounts receivable according to provision matrix is as below:

December 31st, 2020

| | Not overdue | 1～60 days | 61～90 days | Total |
|---|---|---|---|---|
| Total book value | $ 744,785 | $ - | $ - | $ 744,785 |
| Allowance for loss (expected credit loss for the duration) | ( 2,000 ) | - | - | ( 2,000 ) |
| Cost after amortization | $ 742,785 | $ - | $ - | $ 742,785 |

December 31st, 2019

| | Not overdue | 1～60 days | 61～90 days | Total |
|---|---|---|---|---|
| Total book value | $ 750,307 | $ - | $ - | $ 750,307 |
| Allowance for loss (expected credit loss for the duration) | ( 2,000 ) | - | - | ( 2,000 ) |
| Cost after amortization | $ 748,307 | $ - | $ - | $ 748,307 |

Number of overdue days are used as basis for analysis above.

Information of changes in the allowance for loss on accounts receivable:

| | 2020 | 2019 |
|---|---|---|
| Opening balance | $ 2,000 | $ 2,000 |
| Adding: Re-classification in the year | - | - |
| Closing balance | $ 2,000 | $ 2,000 |

11. Inventory

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Finished products | $ 175,532 | $ 300,476 |
| Semi-products | 19,347 | 22,665 |
| Raw materials | 82,790 | 18,826 |
| Commodities | 34,455 | 44,703 |
| | $ 312,124 | $ 386,670 |

Costs of goods sold related to inventory in 2020 and 2019 were $4,574,394 thousand and $5,755,709 thousand respectively. The costs of goods sold in 2020 and 2019 include gains on inventory recovery, and they were $408 thousand and $4,039 thousand respectively. The recovery of inventory net realizable value was caused by the rise of selling price of inventory in the market.

12. Subsidiaries

Subsidiaries included in the consolidated financial statement

Main entities included in the preparation of the consolidated financial statement are as below:

| Name of investment company | Name of subsidiary | Business nature | Shareholding percentage December 31st, 2020 | Shareholding percentage December 31st, 2019 | Note |
|---|---|---|---|---|---|
| Our company | APC Investment Corp. Ltd. (hereinafter referred to as APC Investment) | Investment business | 100.00% | 100.00% | 1 |
| Our company | APC (BVI) Holding Co., Ltd. (hereinafter referred to as APC (BVI) | Re-investment business | 100.00% | 100.00% | 1 |
| Our company | USI International Corp. (hereinafter referred to as USIIC) | Re-investment business | 70.00% | 70.00% | 1 |
| APC（BVI） | USI International Corp. (hereinafter referred to as USIIC) | Re-investment business | 30.00% | 30.00% | 1 |
| APC（BVI） | USI Trading (Shanghai) Co., Ltd. (hereinafter referred to as USITA) | Selling chemical products and equipment | 100.00% | 100.00% | 1 |

Remark:

1. APC Investment Corporation, APC (BVI), USIIC and USITA are not significant subsidiaries; their financial statements have been audited by certified accountants.

Subsidiary, USI International Corp., dealt with capital reduction and refund of shares in November 2020. The consolidated company was refunded $20,020 thousand according to the shareholding ratio.

In response to the demand of business operation, the Board of Directors in the company made a resolution on August 12nd, 2020 to establish a sales company in Mainland China through the joint venture of the subsidiary, APC(BVI), and the subsidiary of USI Corporation, Swanlake Traders Ltd. The capital is estimated to be RMB 300,000 thousand, and our company expects to hold 30% of shares.

13. Investment using equity method

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Associate with significance | | |
| Ever Conquest Global Ltd. | $ 5,066,945 | $ 4,265,335 |
| Individual non-significant associate | | |
| Listed (over the counter) company | | |
| China General Plastics Corporation (CGPC) | 782,997 | 665,776 |
| ACME Electronics Corporation (ACME) | 56,300 | 54,352 |

(continued)

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Non-listed (over the counter) company | | |
| China General Terminal & Distribution Corporation (CGTD) | 315,711 | 257,584 |
| ACME Electronics (Cayman) Corp. (ACME (Cayman)) | 200,825 | 199,043 |
| Swanson Plastics Corporation (SPC) | 206,857 | 198,065 |
| Taiwan United Venture Capital Corp. (TUVC) | 21,472 | 20,142 |
| Thintec Materials Corporation (TMC) | - | 4,399 |
| USI Optronics Corporation (USIO) | 12,579 | 18,313 |
| Swanson Technologies Corporation (Swanson Technologies) | ( 16,165) | ( 14,049) |
| | 6,647,521 | 5,668,960 |
| Adding: Long-term investment credit balance transferred to be recognized as liability | 16,165 | 14,049 |
| | $ 6,663,686 | $ 5,683,009 |

1) Material associates

| Name of the company | Nature of business | Main business venue | Ratios of shareholding and voting right December 31st, 2020 | Ratios of shareholding and voting right December 31st, 2019 |
|---|---|---|---|---|
| Ever Conquest Global Ltd. | Re-investment | British Virgin Islands | 40.87% | 36.89% |

The consolidated company uses equity method to measure above associate.

The following summarized financial information was prepared based on IFRSs consolidated financial statement from each associate and has reflected the adjustment under equity method.

Ever Conquest Global Ltd.

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Non-current assets | $ 12,398,597 | $ 11,563,685 |
| Equity | $ 12,398,597 | $ 11,563,685 |
| Shareholding ratio by our company | 40.87% | 36.89% |
| Equity entitled by our company | $ 5,066,945 | $ 4,265,335 |
| Book value of investment | $ 5,066,945 | $ 4,265,335 |

There was no significant business revenue generated by Ever Conquest Global Ltd.in 2020 and 2019.

| | 2020 | 2019 |
|---|---|---|
| Proportion entitled by the consolidated company | | |
| Net profit of the year | ($ 44,058) | ($ 10,228) |
| Other comprehensive income | 53,761 | ( 174,072) |
| Total comprehensive (loss) | $ 9,703 | ($184,300) |

2) Summarized information of individual non-significant associate

| | 2020 | 2019 |
|---|---|---|
| Proportion entitled by the consolidated company | | |
| Net profit of the year from continuing operations | $169,496 | $ 63,345 |
| Other comprehensive income | 38,537 | ( 4,464) |
| Total comprehensive income | $208,033 | $ 58,881 |

The percentage of ownership interest and voting right possessed by the consolidated company in each associate on the date of balance sheet is as below:

| Name of the company | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| CGPC | 8.07% | 8.07% |
| ACME Corporation | 4.34% | 4.34% |
| CGTD | 33.33% | 33.33% |
| ACME (Cayman) | 16.64% | 16.64% |
| SPC | 7.95% | 7.95% |
| TUVC | 8.33% | 8.33% |
| TMC | - | 30.42% |
| Swanson Technologies Corp. | 15.00% | 15.00% |
| USIO | 9.20% | 9.20% |

Please refer to the attached Table 6 “Information of Investee Company Information and Location” and Table 7 “China Investment” for the business nature, main business venue, and country of company registration related to the above associates.

Due to Sinter Enterprise engaged with no real production and sales business in the past few years, the Board of Directors in the company carried out the resolution on April 12nd, 2019 to start dealing with dissolution and liquidation on May 25th, 2019 (date of dissolution). The procedures of dissolution and liquidation have been completed on July 22nd, 2020. Loss on disposal of the investment of $527 thousand was recognized.

Although the shareholding ratio by the consolidated company in the investee companies- CGPC, ACME Corporation, ACME（Cayman）, SPC, TUVC, Swanson Technologies Corporation and USIO is less than 20%, the measurement was carried out with equity method due to the company’s significant influence.

Our company originally signed a joint venture contract with USI Corporation on April 17th, 2014 for Gulei Investment. However, the joint venture contract was entered and signed again on September 30th, 2016 due to the increase of fund demand for the investment. Our company and USI Corporation established Ever Conquest Global Ltd. under joint venture to invest the company through a third area. Until December 31st, 2020, our company and USI Corporation have invested Ever Conquest Global Ltd. in USD 170,475 thousand (around NTD 5,255,588 thousand) and USD 246,670 thousand (around NTD 7,645,980 thousand) respectively. Please refer to Note 30 for relevant explanation.

Market price for the equity investment on listed (over the counter) company using equity method calculated with the stock closing price on the date of balance sheet is as below:

| Name of the company | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| CGPC | $ 1,136,432 | $ 884,565 |
| ACME | $ 150,087 | $ 97,279 |

For the share of profit or loss and other comprehensive income at associates under equity method, it was recognized according to the financial statement verified by certified accounts from the same period at each associate except the share at ACME in 2020 was calculated based on the financial statement that was audited by the account. However, the management level at the consolidated company believes that ACME financial statement in 2020 that was not audited by the account will not cause material impact.

14. Property, plant and equipment

| | Self-owned land | Buildings and improvements | Machinery and equipment | Other equipment | Unfinished construction | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance on January 1st, 2019 | $ 228,229 | $ 774,313 | $ 6,295,372 | $ 98,825 | $ 126,879 | $ 7,523,618 |
| Additions | - | - | 27,797 | 1,102 | 39,625 | 68,524 |
| Disposal | - | - | ( 57,756 ) | ( 983 ) | - | ( 58,739 ) |
| Internal transfer | - | 3,922 | 88,484 | 893 | ( 93,299 ) | - |
| Net exchange difference | - | - | 41 | ( 140 ) | - | ( 99 ) |
| Balance on December 31st, 2019 | $ 228,229 | $ 778,235 | $ 6,353,938 | $ 99,697 | $ 73,205 | $ 7,533,304 |
| Accumulated depreciation and impairment | | | | | | |
| Balance on January 1st, 2019 | $ - | $ 259,702 | $ 3,679,874 | $ 81,350 | $ - | $ 4,020,926 |
| Depreciation expenses | - | 22,296 | 266,346 | 5,082 | - | 293,724 |
| Disposal | - | - | ( 57,554 ) | ( 983 ) | - | ( 58,537 ) |
| Net exchange difference | - | - | 37 | ( 79 ) | - | ( 42 ) |
| Balance on December 31st, 2019 | $ - | $ 281,998 | $ 3,888,703 | $ 85,370 | $ - | $ 4,256,071 |
| Net amount on December 31st, 2019 | $ 228,229 | $ 496,237 | $ 2,465,235 | $ 14,327 | $ 73,205 | $ 3,277,233 |
| Cost | | | | | | |
| Balance on January 1st, 2020 | $ 228,229 | $ 778,235 | $ 6,353,938 | $ 99,697 | $ 73,205 | $ 7,533,304 |
| Additions | - | - | 26,163 | - | 258,664 | 284,827 |
| Disposal | - | - | ( 42,008 ) | ( 53 ) | - | ( 42,061 ) |
| Internal transfer | - | 580 | 87,134 | 823 | ( 88,537 ) | - |
| Net exchange difference | - | - | - | ( 74 ) | - | ( 74 ) |
| Balance on December 31st, 2020 | $ 228,229 | $ 778,815 | $ 6,425,227 | $ 100,393 | $ 243,332 | $ 7,775,996 |
| Accumulated depreciation and impairment | | | | | | |
| Balance on January 1st, 2020 | $ - | $ 281,998 | $ 3,888,703 | $ 85,370 | $ - | $ 4,256,071 |
| Depreciation expenses | - | 21,537 | 278,282 | 4,574 | - | 304,393 |
| Disposal | - | - | ( 42,008 ) | ( 53 ) | - | ( 42,061 ) |
| Net exchange difference | - | - | - | ( 83 ) | - | ( 83 ) |
| Balance on December 31st, 2020 | $ - | $ 303,535 | $ 4,124,977 | $ 89,808 | $ - | $ 4,518,320 |
| Net amount on December 31st, 2020 | $ 228,229 | $ 475,280 | $ 2,300,250 | $ 10,585 | $ 243,332 | $ 3,257,676 |

After evaluation, there is no sign of impairment in 2020 and 2019.

The depreciation expense on property, plant, and equipment was calculated in the following service life based on linear basis:

| | |
|---|---|
| Buildings and improvements | |
| Plant, machine room, and its improvements | 15-40 years |
| Office building, testing lab, and its improvements | 10-40 years |
| Warehouse building | 11-45 years |
| Engineering system | 35-40 years |
| Others | 2-20 years |
| Machinery and equipment | 3-22 years |
| Other equipment | 3-10 years |

In order to cooperate with the relocation of petrochemical oil storage facilities from the manufacturers in old harbor area implemented by Taiwan International Ports Corporation, Ltd. (Ports Corporation), China General Terminal & Distribution Corporation rented the terminal facility and hinterland at Phase 2 Petrochemical Oil Storage and Distribution Center in Kaohsiung International Container Terminal from Ports Corporation. The duration is from August 1st, 2017 to July 31st, 2042 with quarterly rent payment. The consolidated company approved the construction of international phase 2 petrochemical oil center through the board resolution in 2019. A package contract on turnkey basis was signed with CTCI Corporation on October 7th, 2019 with total investment price of $765,893 thousand. Until December 31st, 2020, the consolidated company has paid the payment of $211,724 thousand for the project. The payment was recognized under the item of construction.

15. Lease agreement

1) Right-of-use asset

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Book value of right-of-use asset | | |
| Transportation equipment | $ 424 | $ - |

| | 2020 | 2019 |
|---|---|---|
| Addition of right-of-use asset | $ 847 | $ - |
| Depreciation expense of right-of-use asset | | |
| Transportation equipment | $ 423 | $ 421 |

Besides, the office located in Taipei rented by the consolidated company is sublet to other company under operating lease. The relevant right-of-use asset is recognized as investment property. Please refer to Note 16 “Investment Property”. The amount of above right-of-use asset does not include the right-of-use asset under the definition of investment property.

2) Lease liability

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Book value of lease liability | | |
| Current | $ 5,981 | $ 5,496 |
| Non-current | $ 18,946 | $ 24,501 |

The range of discount rate for lease liability is as below:

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Transportation equipment | 1.06% | - |
| Building | 1.06% | 1.06% |

3) Other lease information

| | 2020 | 2019 |
|---|---|---|
| Short-term lease expense | $ 3,774 | $ 3,375 |
| Changed lease payment that is not included into the measurement of lease liability | $ 844 | $ 1,402 |
| Total cash (outflow) for lease | ($ 10,833) | ($ 10,992) |

The consolidated company chose exemption applicable to the recognition of building lease for short-term lease but will not recognize it as right-of-use asset and lease liability for the lease.

## 16. Investment property

| | Land | Buildings and improvements | Right-of-use assets | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance on January 1st, 2019 | $ 370,202 | $ 260,486 | $ - | $ 630,688 |
| Effects from retrospective application of IFRS 16 | - | - | 34,585 | 34,585 |
| Balance on January 1st, 2019 (after revision) | 370,202 | 260,486 | 34,585 | 665,273 |
| Net exchange difference | - | ( 3,082 ) | - | ( 3,082 ) |
| Balance on December 31st, 2019 | $ 370,202 | $ 257,404 | $ 34,585 | $ 662,191 |
| Accumulated depreciation | | | | |
| Balance on January 1st, 2019 | $ - | $ 116,848 | $ - | $ 116,848 |
| Depreciation expenses | - | 4,494 | 5,461 | 9,955 |
| Net exchange difference | | ( 1,177 ) | - | ( 1,177 ) |
| Balance on December 31st, 2019 | $ - | $ 120,165 | $ 5,461 | $ 125,626 |
| Net amount on December 31st, 2019 | $ 370,202 | $ 137,239 | $ 29,124 | $ 536,565 |
| Cost | | | | |
| Balance on January 1st, 2020 | $ 370,202 | $ 257,404 | $ 34,585 | $ 662,191 |
| Net exchange difference | - | ( 6,291 ) | - | ( 6,291 ) |
| Balance on December 31st, 2020 | $ 370,202 | $ 251,113 | $ 34,585 | $ 655,900 |
| Accumulated depreciation | | | | |
| Balance on January 1st, 2020 | $ - | $ 120,165 | $ 5,461 | $ 125,626 |
| Depreciation expenses | - | 4,325 | 5,460 | 9,785 |
| Net exchange difference | - | ( 2,450 ) | - | ( 2,450 ) |
| Balance on December 31st, 2020 | $ - | $ 122,040 | $ 10,921 | $ 132,961 |
| Net amount on December 31st, 2020 | $ 370,202 | $ 129,073 | $ 23,664 | $ 522,939 |

The right-of-use asset in investment property is the office rented by the consolidated company to be sublet as operating lease.

The lease duration of investment property is five years. The lessee does not have the right of first refusal towards investment property when the lease expires.

The total lease payment to be collected in the future on the investment property under operating lease is as below:

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| The 1st year | $ 16,343 | $ 11,952 |
| The 2nd year | 15,547 | 4,599 |
| The 3rd year | 15,547 | 4,599 |
| The 4th year | 11,188 | 4,599 |
| The 5th year | 932 | 240 |
| | $ 59,557 | $ 25,989 |

The depreciation of the investment property is calculated with the following service life on a linear basis:

| | |
|---|---|
| Building and improvement | |
| Office building and its improvement | 5-50 years |
| Right-of-use asset | 6 years |

The investment property- land is located in Linyuan Industrial Park. It belongs to industrial land, and it does not have frequent market trading information for comparison. It is difficult to obtain reliable alternative fair value estimate. Therefore, the fair value cannot be determined reliably.

In addition, the fair value of investment property-land (excluding the land located in Linyuan Industrial Park), buildings, and improvements on December 31st, 2020 was $1,753,235 thousand. The fair value was not assessed by independent evaluating personnel but only measured by the management level at the consolidated company with level 3 input value on the evaluation model commonly used by market participants. The evaluation took reference of the trading price from similar properties at nearby location. When the trading price for per 3.3057 square meters at the nearby location increases or decreases 10%, the consolidated company also increased or decreased the fair value of the investment property on December 31st, 2020 for $175,324 thousand.

The fair value for right-of-use asset is evaluated with the net amount of expected rent income deducting all the expected payment before adding the amount of relevant recognized lease liability. The fair value on December 31st, 2020 was $61,968 thousand.

17. Borrowings

1) Short-term borrowings

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Unsecured loan | | |
| Bank loan | $ 700,000 | $ 1,100,000 |

The interest rate of the bank revolving loan on December 31st, 2020 and 2019 was 0.80%-0.82% and 0.90%-0.97% respectively.

2) Short-term bills payable (December 31st, 2020: None)

| | December 31st, 2019 |
|---|---|
| Commercial paper payable | $ 650,000 |
| Deducting: Discount on notes and bills payable | ( 56) |
| | $ 649,944 |
| Range of interest rate | 0.50%-0.77% |

3) Long-term loan

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Unsecured loan | $ 3,050,000 | $ 3,950,000 |
| Range of interest rate | 0.89%-0.95% | 1.00%-1.06% |

To provide medium- and long-term working capital, the consolidated company signed medium- and long-term credit contracts with banks. The total credit amount is $5,950,000 thousand, and the duration of the credit contracts will be expired before October 2023 one after another. Up to December 31st, 2020, $3,050,000 thousand have been used from the total revolving credit amount within the valid contract duration.

Part of the loan borrowed by the consolidated company agree the current ratio and debt ratio on the financial statement must not be lower than specific ratio. If there is any inconsistence, an improvement measure shall be submitted to the bank.

Until December 31st, 2020, the consolidated company has not involved with any matter that violate the ratio mentioned above.

## 18. Accounts payable

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Accounts payable (including related parties) | | |
| Arising from operations | $ 287,756 | $ 186,775 |

The average credit period for accounts payable is one month. The consolidated company has financial risk management policy in place to ensure all the payables are settled within the original agreed credit period.

## 19. Other payables

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Payables for salaries and bonuses | $ 91,696 | $ 77,464 |
| Payables for utilities | 37,093 | 35,655 |
| Payables on paid leave | 13,517 | 13,983 |
| Payables on freight | 12,099 | 9,079 |
| Payables for dividends | 5,699 | 5,527 |
| Payables for equipment | 5,694 | 5,025 |
| Payables on insurance premium | 1,953 | 4,108 |
| Others | 27,197 | 32,586 |
| | $ 194,948 | $ 183,427 |

## 20. Refund liability-current

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Returns and allowances | $ 5,899 | $ 5,899 |

The potential product returns and allowances estimated by the consolidated company are recognized as refund liability according to IFRS 15.

## 21. Post-employment benefit plans

1) Defined contribution plan

The pension system specified in " Labor Pension Act" applicable to the consolidated company is the defined contribution pension plan managed by the government. 6% of employee's salary should be contributed to the individual labor pension accounts at the Bureau of Labor Insurance on monthly basis.

2) Defined benefit plan

Among the consolidated company, the pension system implemented by our company according to "Labor Standards Act" in our country is the defined benefit plan managed by the government. The payment of employee pension is calculated according to the job tenure and approved average salary from the six months before retirement. In 2020 and 2019, our company contributed 10% of total monthly employee salary every month as pension and forwarded it to Supervisory Committee of Workers' Retirement Fund to deposit to the dedicated account in Bank of Taiwan under the name of the committee. The dedicated account is entrusted to Bureau of Labor Funds, MOL for management, and our company has no right to affect its investment management strategy.

The amount for defined benefit plan listed to the consolidated balance sheet is as below:

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Present value of defined benefit obligations | $ 373,108 | $ 406,749 |
| Fair value of plan assets | ( 218,051) | ( 240,881) |
| Net defined benefit liabilities | $ 155,057 | $ 165,868 |

The change of net defined benefit liability (asset) is as below:

| | Present value of defined obligations | Fair value of plan assets | Net defined benefit liabilities (assets) |
|---|---|---|---|
| Balance on January 1st, 2019 | $ 418,170 | ($ 209,500) | $ 208,670 |
| Service cost | | | |
| Current service cost | 3,950 | - | 3,950 |
| Net interest expense (income) | 3,576 | ( 1,794) | 1,782 |
| Recognition in profit or loss | 7,526 | ( 1,794) | 5,732 |
| Remeasurements | | | |
| Return on plat assets (except the amount included in net interest) | - | ( 8,173) | ( 8,173) |
| Actuarial loss- changes in financial assumptions | 6,820 | - | 6,820 |
| Actuarial loss- experience adjustments | ( 4,293) | - | ( 4,293) |
| Recognition in other comprehensive income | 2,527 | ( 8,173) | ( 5,646) |

(continued)

| | Present value of defined obligations | Fair value of plan assets | Net defined benefit liabilities (assets) |
|---|---|---|---|
| Contribution by the employer | ( 2,128) | ( 40,760) | ( 42,888) |
| Benefit payment | ( 19,346) | 19,346 | - |
| Balance on December 31st, 2019 | $ 406,749 | ($ 240,881) | $ 165,868 |
| | | | |
| Balance on January 1st, 2020 | $ 406,749 | ($ 240,881) | $ 165,868 |
| Service cost | | | |
| Current service cost | 3,276 | - | 3,276 |
| Interest expense (income) | 2,436 | ( 1,524) | 912 |
| Recognition in profit or loss | 5,712 | ( 1,524) | 4,188 |
| Remeasurements | | | |
| Return on plat assets (except the amount included in net interest) | - | ( 7,953) | ( 7,953) |
| Actuarial loss- changes in financial assumptions | 6,091 | - | 6,091 |
| Actuarial loss- experience adjustments | 2,470 | - | 2,470 |
| Recognition in other comprehensive income | 8,561 | ( 7,953) | ( 608) |
| Contribution by the employer | - | ( 15,607) | ( 15,607) |
| Benefit payment | ( 47,914) | 47,914 | - |
| Balance on December 31st, 2020 | $ 373,108 | ($ 218,051) | $ 155,057 |

The consolidated company is exposed under the following risks due to the pension system of "Labor Standards Act":

a. Investment risk: Bureau of Labor Funds, MOL invests the pension fund to the targets like domestic (overseas) equity securities, debt securities, and bank deposit through self-operation and entrusted management. However, the allocable amount of plan assets in the consolidated company shall be the profit calculated by the interest rate that is now lower than the interest rate of two-year time deposit in the local bank.

b. Interest rate risk: The decline of interest rate of corporate bond will increase the present value of the defined benefit obligation. However, the return on debt investment of the plan asset will increase as well. These two carry out the effect of partly offsetting the impact of net defined benefit liability.

c. Salary risk: The calculation of present value of the defined benefit obligation is based on the future salary of the members in the plan as the reference.

Therefore, the increase of the salary for the members in the plan will also increase the present value of the defined benefit obligation.

The present value of the defined benefit obligation in the consolidated company was assessed carefully by a qualified actuary. Important assumptions on the measurement day are as below:

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Discount rate | 0.38% | 0.63% |
| Expected salary increase rate | 2.25% | 2.25% |

If major actuarial assumptions involve with reasonable possible changes separately, the increase (decrease) amount of the defined benefit obligation present value under the condition of other assumptions remaining the same is as below:

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Discount rate | | |
| Increasing 0.25% | ($ 6,091) | ($ 6,820) |
| Decreasing 0.25% | $ 6,257 | $ 7,012 |
| Expected salary increase rate | | |
| Increasing 0.25% | $ 6,032 | $ 6,775 |
| Decreasing 0.25% | ($ 5,904) | ($ 6,625) |

Due to actuarial assumptions are likely related to each other and it is rarely that the change only on a single assumption, the above sensitivity analysis might not be able to reflect the actual changes in the present value of the defined benefit obligation.

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Expected contributions to the plan for the next year | $ 50,000 | $ 40,000 |
| Average expired time for the defined benefit obligation | 6.7 years | 6.9 years |

## 22. Equity

### 1. Common stock

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Authorized shares (thousand shares) | 620,000 | 620,000 |
| Authorized capital stock | $ 6,200,000 | $ 6,200,000 |
| Issued and fully paid shares (thousand shares) | 582,101 | 554,382 |
| Issued capital | $ 5,821,018 | $ 5,543,827 |

Par value of common stock issued is $10, and each share is entitled to one voting right and the right of receiving dividend.

On June 12th, 2020, the resolution at Shareholder's Meeting approved the capital increase in additional 27,719 thousand shares from the shareholder dividend distributed by surplus. Par value of each share is $10, and the actual paid-in capital after additional shares is $5,821,018 thousand. The issuance of bonus shares above has been approved by Securities and Futures Bureau, FSC and been effective on July 2nd, 2020. The Board of Directors decided the record date for capital increase was July 29th, 2020.

### 2) Capital surplus

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Unclaimed dividends | $ 22,313 | $ 21,412 |
| Changes in additional paid-in capital at associates recognized using equity method | 10,959 | 2,988 |
| | $ 33,272 | $ 24,400 |

Capital surplus, generated from share issuance in excess of par value, in the additional paid-in capital (including common stock issued in the amount excess of par value) and donation can be used to cover the deficit. If there is no deficit in the company, it can be used to issue cash dividends or be appropriated as capital. However, the appropriation of capital shall be limited on a certain ratio of the paid-in capital every year.

Additional paid-in capital generated from the unclaimed dividend among shareholders due to overdue can only be used to cover deficit. Additional paid-in capital generated from investments using equity method must not be used for any other purpose.

1) Retaining earnings and dividend policy

According to the regulation on surplus distribution specified in our Articles of Incorporation, any surplus after tax from the annual accounts in the company shall be used to cover the deficit in the previous year as priority. If there is any remaining amount, allocate 10% as legal reserve, the rest will be distributable surplus of the year. Along with the accumulated undistributed surplus from the previous year and the balance listed as or return to special reserve according to law or the regulations from the competent authority, it is accumulated distributable surplus. Board of Directors shall set up the surplus distribution plan and submit to Shareholder's Meeting for resolution according to legal procedures, and the Shareholder's meeting can retain all of or part of surplus based on the actual business situation. The distribution policy of employee and directors & supervisors remuneration specified in our Articles of Incorporation can be referred to Note 24- (7) Employee Reward and Director Remuneration.

When deciding surplus distribution, the dividends must not be lower than 10% of distributable surplus of the year in order to consider R&D development and multiple operations due to our company is in the mature industry. Among it, the cash dividend must not be lower than 10% of the total dividends. However, the company can decide not to distribute the dividend if the distributable surplus per share is lower than $0.1.

Legal reserve shall be allocated to the balance amount meeting the total paid-in capital in the company. Legal reserve shall be used to cover the deficit in the company. When the company has no deficit, the excessive portion of legal reserve over 25% of the total paid-in capital can be distributed in cash other than being appropriated to capital.

Our company recognized and reversed special reserve according to official letter No. Chin Guan Cheng Fa Zi 1010012865 and "applicable Q&A for recognition of special reserve after adopting International Financial Reporting Standards (IFRSs)”.

Our company held Shareholder’s Meeting on June 12th, 2020 and June 24th, 2019 and decided the following surplus distribution for 2019 and 2018:

| | Surplus distribution | |
|---|---|---|
| | 2019 | 2018 |
| Legal reserve | $ 85,058 | $ 28,683 |
| Cash dividends | $ 332,630 | $ 166,315 |
| Stock dividend | $ 277,191 | $ - |
| Cash dividends per share ($) | $ 0.6 | $ 0.3 |
| Stock dividend per share ($) | $ 0.5 | $ - |

Board of Directors in our company determined on March 5th, 2021 for the following surplus distribution for 2020:

| | 2020 |
|---|---|
| Legal reserve | $107,798 |
| Cash dividend | $698,522 |
| Share dividend | $116,420 |
| Cash dividends per share ($) | $ 1.2 |
| Share dividends per share ($) | $ 0.2 |

The surplus distribution for 2020 is pending to be approved at the Shareholder’s Meeting that will be held on June 11th, 2021.

2) Other equity item

a. Exchange differences on translation in financial statement for overseas operations

| | 2020 | 2019 |
|---|---|---|
| Balance on January 1st | ($221,959) | ($ 59,292) |
| Generated in the year | | |
| Exchange differences on translation in financial statement for overseas operations | 41,058 | ( 192,308) |
| Exchange different in the associates using equity method | ( 5,315) | ( 8,821) |
| Relevant income tax | ( 8,212) | 38,462 |
| Other comprehensive income in the year | ( 27,531) | ( 162,667) |
| Closing balance | ($194,428) | ($221,959) |

b. Unrealized profit and loss on financial assets measured at fair value through other comprehensive income

| | 2020 | 2019 |
|---|---|---|
| Opening balance | $ 97,939 | ($ 1,065) |
| Generated in the year | | |
| Unrealized profit and loss | | |
| Equity instrument | 1,032,335 | 122,885 |
| Proportion in associates using equity method | 42,221 | 4,360 |
| Relevant income tax | ( 3,454) | 1,069 |
| Other comprehensive income in the year | 1,071,102 | 128,314 |
| Accumulated profit or loss on the disposal of equity instrument transferred to retained earnings | 19,351 | ( 29,680) |
| Proportion in associate using equity method | 7,522 | 370 |
| Closing balance | $ 1,195,914 | $ 97,939 |

23. Revenue

1) Revenue from contracts with customers

| | 2020 | 2019 |
|---|---|---|
| Sales revenue | $ 5,703,546 | $ 6,791,157 |

2) Contract balance

| | December 31st, 2020 | December 31st, 2019 | January 1st, 2019 |
|---|---|---|---|
| Contract liabilities | $ 40,128 | $ 24,049 | $ 25,011 |

24. Net profit from continuing operations

Net profit from continuing operations includes the following:

1) Interest income

| | 2020 | 2019 |
|---|---|---|
| Interest revenue | | |
| Bank deposits | $ 6,339 | $ 8,605 |
| Financial assets measured at fair value through profit or loss | 1,325 | 5,763 |
| Reverse repurchases notes | 18 | 508 |
| | $ 7,682 | $ 14,876 |

2) Other income

| | 2020 | 2019 |
|---|---|---|
| Rent income | $ 54,582 | $ 56,343 |
| Dividend income | | |
| Financial assets measured at fair value through profit or loss | 2,780 | 2,143 |
| Investments in equity instrument measured at fair value through other comprehensive income | 101,764 | 81,003 |
| | 104,544 | 83,146 |
| Others | 8,029 | 11,256 |
| | $ 167,155 | $ 150,745 |

3) Other profits and losses

| | 2020 | 2019 |
|---|---|---|
| Profit (loss) on financial assets and financial liabilities | | |
| Financial assets measured at fair value through profit or loss | $ 134,381 | $ 49,514 |
| Financial liabilities measured at fair value through profit or loss | 2,018 | 3,080 |
| Net foreign exchange loss | ( 12,905) | ( 12,449) |
| Loss on disposal of investment | ( 527) | - |
| Loss on disposal of property, plant, and equipment | - | ( 20) |
| Others | ( 17,597) | ( 16,266) |
| | $ 105,370 | $ 23,859 |

4) Financial cost

| | 2020 | 2019 |
|---|---|---|
| Bank loan interest | $ 42,239 | $ 55,812 |
| Lease load interest | 298 | 351 |
| | $ 42,537 | $ 56,163 |

The consolidated company does not involve with capitalization of interest in both 2020 and 2019.

5) Depreciation and amortization

| | 2020 | 2019 |
|---|---|---|
| Property, plant and equipment | $ 304,393 | $ 293,724 |
| Investment properties | 9,785 | 9,955 |
| Right-of-use assets | 423 | 421 |
| Intangible assets | 35 | 35 |
| Total | $ 314,636 | $ 304,135 |
| An analysis of depreciation by function | | |
| Operating costs | $ 304,115 | $ 293,476 |
| Operating expenses | 701 | 669 |
| Other gains and losses | 9,785 | 9,955 |
| | $ 314,601 | $ 304,100 |
| An analysis of amortization by function | | |
| Operating expenses | $ 35 | $ 35 |

6) Expense of employee benefit

| | 2020 | 2019 |
|---|---|---|
| Benefit after retirement (Note 21) | | |
| Defined contribution plans | $ 7,777 | $ 7,570 |
| Defined benefit plans | 4,188 | 5,732 |
| | 11,965 | 13,302 |
| Other employee benefits | 349,734 | 366,228 |
| Total employee benefit expense | $ 361,699 | $ 379,530 |
| Summary by functions | | |
| Operating cost | $ 298,386 | $ 312,032 |
| Operating expense | 63,313 | 67,498 |
| | $ 361,699 | $ 379,530 |

7) Employee reward and director remuneration

Our company allocated the benefit before tax without deducting reward distributed to employees and directors in the year in the ratio of no less than 1% and no more than 1% for the distribution of employee reward and director remuneration respectively. The resolution from Board of Directors on March 5th, 2021 and March 5th, 2020 for employee reward and director remuneration in 2020 and 2019 respectively is as below:

Estimated ratio

| | 2020 | 2019 |
|---|---|---|
| | Cash | Cash |
| Employee reward | 1% | 1% |
| Director remuneration | - | - |

Amount

| | 2020 | 2019 |
|---|---|---|
| | Cash | Cash |
| Employee reward | $ 12,937 | $ 9,929 |
| Director remuneration | - | - |

If the amount changes after the date of annual consolidated financial statement being approved and published, it shall be handled according to change in accounting estimate. The recognition shall be adjusted in the next fiscal year.

The actual distribution amount for employee reward and director remuneration in 2019 and 2018 has no difference from the recognition in the consolidated financial statement in 2019 and 2018.

Please check the information of our Board resolution related to employee reward and director remuneration on “Market Observation Post System” from the website of Taiwan Stock Exchange.

8) Gains or losses on foreign exchange

| | 2020 | 2019 |
|---|---|---|
| Total foreign exchange profit | $ 24,334 | $ 32,440 |
| Total foreign exchange loss | ( 37,239) | ( 44,889) |
| Net profit or loss | ($ 12,905) | ($ 12,449) |

25. Income tax from continuing operations

1) Income tax recognized as profit of loss

Main items included in the income tax expense are as below:

| | 2020 | 2019 |
|---|---|---|
| Current income tax | | |
| Generated in the year | $ 185,088 | $ 151,042 |
| Tax on undistributed profit | 5,771 | 5,941 |
| Tax on profit repatriation from subsidiaries | 3,823 | - |
| Adjustment from the previous year | ( 1,004) | 78 |
| | 193,678 | 157,061 |
| Deferred income tax | | |
| Generated in the year | ( 2,231) | 6,674 |
| Effects on deferred income tax from the profit repatriation by subsidiaries | ( 9,558) | - |
| Adjustment from the previous year | ( 65) | 85 |
| | ( 11,854) | 6,759 |
| Income tax recognized in profit or loss | $ 181,824 | $ 163,820 |

Adjustments for accounting income and income tax expense are as below:

| | 2020 | 2019 |
|---|---|---|
| Net profit before tax from continuing operations | $ 1,285,411 | $ 984,841 |
| Income tax from net profit before tax calculated on legal tax rate | $ 267,580 | $ 198,320 |
| Expense from tax adjustments | ( 52,378) | ( 22,870) |
| Tax-free income | ( 41,903) | ( 17,734) |
| Tax on undistributed profit | 5,771 | 5,941 |
| Tax on profit repatriation from subsidiaries | 3,823 | - |
| Adjustment of current income tax in the previous year | ( 1,069) | 163 |
| Income tax recognized in profit or loss | $ 181,824 | $ 163,820 |

Our country revised Statute for Industrial Innovation in July 2019 and enacted by the President to clearly specify specific assets or technology constructed or purchased with the undistributed surplus since 2018 can be recognized as the deduction items for the calculation of undistributed surplus. When the consolidated company calculated the tax on undistributed surplus, only the capital expenditure that is actually used for re-investment was deducted.

2) Income tax recognized as other comprehensive income

| | 2020 | 2019 |
|---|---|---|
| Deferred income tax | | |
| Generated in the year | | |
| －Exchange in overseas operations | ($ 8,212) | $ 38,462 |
| －Unrealized profit or loss on financial assets measured at fair value through other comprehensive income | ( 3,454) | 1,069 |
| － Remeasurements on defined benefit plan | 122 | ( 1,129) |
| Tax benefit recognized as other comprehensive income | ($ 11,544) | $ 38,402 |

3) Current income tax liability

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Current income tax liabilities | $189,737 | $146,341 |

4) Deferred income tax assets and liabilities

Changes on deferred income tax assets and liabilities are as below:

2020

| | Opening balance | Recognized as profit or loss | Recognized as other comprehensive income | Closing balance |
|---|---|---|---|---|
| Deferred income tax assets | | | | |
| Temporary difference | | | | |
| Unrealized inventory valuation loss | $ 107 | ($ 82) | $ - | $ 25 |
| Unrealized impairment loss on office supplies | 7,188 | 791 | - | 7,979 |
| Unrealized sales allowance | 1,180 | - | - | 1,180 |
| Unrealized material loss | 1,215 | ( 124) | - | 1,091 |
| Unrealized financial liability valuation profit or loss | - | 782 | - | 782 |
| Paid leave payable | 2,535 | ( 92) | - | 2,443 |
| Defined benefit pension plan | 33,277 | ( 2,249) | 122 | 31,150 |
| Book-tax difference on inventory | 284 | ( 216) | - | 68 |
| Exchange differences on foreign operations | 45,612 | - | ( 8,212) | 37,400 |
| Unrealized exchange loss | 1,022 | ( 1,022) | | - |
| | $ 92,420 | ($ 2,212) | ($ 8,090) | $ 82,118 |

| | Opening balance | Recognized as profit or loss | Recognized as other comprehensive income | Closing balance |
|---|---|---|---|---|
| Deferred income tax liabilities | | | | |
| Temporary difference | | | | |
| Reserve for land value increment tax | ($ 21,469) | $ - | $ - | ($ 21,469) |
| Reserve for bad debts | ( 267) | - | - | ( 267) |
| Unrealized foreign exchange gains | - | ( 626) | - | ( 626) |
| Recognition in book-tax difference on depreciation | ( 422) | 29 | - | ( 393) |
| Investment gains recognized using equity method | ( 28,647) | 14,579 | - | ( 14,068) |
| Profit or loss in value of unrealized financial assets | ( 1,850) | 19 | ( 3,454) | ( 5,285) |
| Others | ( 65) | 65 | - | - |
| | ($ 52,720) | $ 14,066 | ($ 3,454) | ($ 42,108) |

2019

| | Opening balance | Recognized as profit or loss | Recognized as other comprehensive income | Closing balance |
|---|---|---|---|---|
| Deferred income tax assets | | | | |
| Temporary difference | | | | |
| Unrealized inventory valuation loss | $ 915 | ($ 808) | $ - | $ 107 |
| Unrealized impairment loss on office supplies | 6,938 | 250 | - | 7,188 |
| Unrealized sales allowance | 1,180 | - | - | 1,180 |
| Unrealized material loss | 1,316 | ( 101) | - | 1,215 |
| Unrealized financial liability valuation profit or loss | 415 | ( 415) | - | - |
| Paid leave payable | 2,628 | ( 93) | - | 2,535 |
| Defined benefit pension plan | 41,515 | ( 7,109) | ( 1,129) | 33,277 |
| Book-tax difference on inventory | 57 | 227 | - | 284 |
| Exchange difference in overseas operation | 7,150 | - | 38,462 | 45,612 |
| Unrealized exchange loss | - | 1,022 | - | 1,022 |
| | $ 62,114 | ($ 7,027) | $ 37,333 | $ 92,420 |
| Deferred income tax liabilities | | | | |
| Temporary difference | | | | |
| Reserve for land value increment tax | ($ 21,469) | $ - | $ - | ($ 21,469) |
| Reserve for bad debts | ( 267) | - | - | ( 267) |
| Unrealized foreign exchange gains | ( 548) | 548 | - | - |
| Recognition in book-tax difference on depreciation | ( 435) | 13 | - | ( 422) |
| Investment gains recognized using the equity method | ( 28,372) | ( 275) | - | ( 28,647) |
| Profit or loss in value of unrealized financial assets | ( 2,901) | ( 18) | 1,069 | ( 1,850) |
| Others | ( 65) | - | - | ( 65) |
| | ($ 54,057) | $ 268 | $ 1,069 | ($ 52,720) |

5) Income tax assessment

The profit-seeking enterprise annual income tax return in our company and in the company that Asia Polymer invested has been assessed by Revenue Service Office to 2018.

26. Earnings per share

Unit: $/ per share

| | 2020 | 2019 |
|---|---|---|
| Basic earnings per share | $ 1.90 | $ 1.41 |
| Diluted earnings per share | $ 1.89 | $ 1.41 |

When calculating earnings per share, the impact of bonus shares has been adjusted. The record date of the bonus shares was on July 29th, 2020. Due to the retroactive adjustment, the changes of basic and earnings per share in 2019 are as below:

Unit: $/ per share

| | Before adjustment | After adjustment |
|---|---|---|
| Basic earnings per share | $ 1.48 | $ 1.41 |
| Diluted earnings per share | $ 1.48 | $ 1.41 |

The surplus and the weighted average ordinary shares used to calculate earnings per share is as below:

Net profit for the year

| | 2020 | 2019 |
|---|---|---|
| Net profit used to calculate basic and diluted earnings per share | $ 1,103,587 | $ 821,021 |

Unit: thousand shares

| | 2020 | 2019 |
|---|---|---|
| Shares | | |
| Weighted average shares used to calculate earnings per share | 582,102 | 582,102 |
| Effect of potentially dilutive ordinary shares: | | |
| Employee reward | 786 | 714 |
| Weight average common shares used to calculate diluted earnings per share | 582,888 | 582,816 |

If the consolidated company can choose to issue employee reward in stock or in cash, it should be assumed the employee reward will be issued in stock when calculating diluted earnings per share. When the potential common stock is with diluting effect, add the weighted average ordinary shares outstanding to calculate the diluting earnings per share. When calculating diluted earnings per share before the resolution in the following year for employee reward issued in stock, the diluting effect of the potential common stock shall be considered as well.

27. Capital risk management

The consolidated company carried out capital management to ensure each enterprise in the group will be able to optimize the balance of debts and equity to achieve the maximum shareholder's equity under the condition of continuing operations. The overall strategy implemented by the consolidated has not been changed since 2013.

The capital structure in the consolidated company includes net debts (that is loan deducting cash and cash equivalents) and equity attributed to the shareholders in our company (that is capital stock, additional paid-in capital, retained earnings, and other equity items).

28. Financial instrument

1) Information of fair value- financial instruments that is not measured at fair value

The management level in the consolidated company believes the book values for financial assets and financial liabilities that are not measured at fair value are all closed to the fair value.

2) Information of fair value- financial instruments measured at fair value on a basis of duplication

a. Levels of fair value

December 31st, 2020

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets measured at fair value through profit or loss | | | | |
| Domestic listed (over the counter) stock | $ 248,175 | $ - | $ - | $ 248,175 |
| Fund beneficiary certificate | 837,676 | - | - | 837,676 |
| | $ 1,085,851 | $ - | $ - | $ 1,085,851 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Investments in equity instruments | | | | |
| Domestic listed (over the counter) stock | $ 3,063,507 | $ - | $ - | $ 3,063,507 |
| Overseas listed stock | 17,480 | - | - | 17,480 |
| Not listed (over the counter) domestic stock | - | - | 275,798 | 275,798 |
| Not-listed overseas stock | - | - | 57,127 | 57,127 |
| | $ 3,080,987 | $ - | $ 332,925 | $ 3,413,912 |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative instruments | $ - | $ 3,912 | $ - | $ 3,912 |

December 31st, 2019

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets measured at fair value through profit or loss | | | | |
| Derivative instruments | $ - | $ 94 | $ - | $ 94 |
| Domestic listed shares | 167,154 | - | - | 167,154 |
| Mutual funds beneficiary certificate | 2,479,130 | - | - | 2,479,130 |
| | $ 2,646,284 | $ 94 | $ - | $ 2,646,378 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Investments in equity instruments | | | | |
| Domestic listed (over the counter) stock | $ 2,132,874 | $ - | $ - | $ 2,132,874 |
| Overseas listed stock | 4,946 | - | - | 4,946 |
| Not listed (over the counter) domestic stock | - | - | 237,776 | 237,776 |
| Not-listed overseas stock | - | - | 55,635 | 55,635 |
| | $ 2,137,820 | $ - | $ 293,411 | $ 2,431,231 |

No transfer between level 1 and level 2 fair value in 2020 and 2019.

b. Adjustment on financial instruments measured at level 3 fair value

2020

| Financial asset | Financial assets measured at fair value through other comprehensive income<br>Equity instrument |
|---|---|
| Opening balance | $ 293,411 |
| Recognized in other comprehensive income (included unrealized gain or loss on financial assets measured at fair value through other comprehensive income) | 73,649 |
| Returned capital stock from investee company (Note 8) | ( 34,135) |
| Closing balance | $ 332,925 |

2019

| Financial asset | Financial assets measured at fair value through other comprehensive income<br>Equity instrument |
|---|---|
| Opening balance | $ 327,781 |
| Recognized in other comprehensive income (included unrealized profit or loss on financial assets measured at fair value through other comprehensive income) | 32,212 |
| Disposal | ( 41,892) |
| Returned capital stock from investee company (Note 8) | ( 24,690) |
| Closing balance | $ 293,411 |

c. Evaluation technology and inputs for measurement at level 2 fair value

| Category of financial instrument | Evaluation technology and inputs |
|---|---|
| Derivative instruments-foreign exchange forward contract | Discounted cash flow method: Future cash flow is estimated by observable forward foreign exchange rate at the closing period and the exchange rate specified in the contract. It is discounted by the discount rate that is able to reflect the credit risk for the counterparty of the transaction. |

d. Evaluation technology and inputs for measurement at level 3 fair value

In terms of evaluation process for level 3 fair value, the Finance Department in the consolidate company is responsible for carrying out the verification of independent fair value on financial instruments to make sure the evaluation result is close to the market status through independent source of information. Moreover, regular verification shall be carried out to ensure the result of evaluation is reasonable. The consolidated company evaluates domestic and overseas not listed (over the counter) equity investments according to asset-based approach. The determination of the fair value will be decided with the reference to the latest net value of the investee company and its observable financial and business situations. When the liquidity discount reduces, the fair value of the investment will increase. When the net asset value at the investee company increases/ decreases 1%, the fair value will increase/ decrease $3,329 thousand.

3) Type of financial instrument

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Financial assets | | |
| Measurement at fair value through profit or loss | | |
| Mandatorily classified as at fair value through profit or loss | $ 1,085,851 | $ 2,646,378 |
| Financial assets measure at amortized cost (Remark 1) | 1,396,908 | 1,692,134 |
| Financial assets measured at fair value through other comprehensive income | | |
| Investments in equity instruments | 3,413,912 | 2,431,231 |
| Financial liabilities | | |
| Measured at fair value through profit or loss | | |
| Holding for trading | 3,912 | - |
| Measured at amortized cost (Remark 2) | 4,282,590 | 6,236,734 |

Remark 1: Balance refers to the loans and receivables measured at amortized cost, including cash and cash equivalents, accounts receivable (including related parties), and other receivables (including related parties but excluding tax refund receivable).

Remark 2: Balance refers to the financial liabilities measured at amortized cost, including short-term loans, short-term notes and bills payable, accounts payable (including related parties), other payables (including related parties), and long-term loans.

4) Purpose and policy of financial risk management

The risk control and hedging strategy carried out the consolidated company are affected by the operating environment. However, the consolidated company has implemented proper risk management and control operation based on the nature of business and principle of risk diversification. The risk includes market risk (exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

a. Market risk

The main market risk that the consolidated company undertakes is the risk of exchange rate change and the risk of interest rate change due to the operating activities in the consolidated company.

The risk exposure of the market risk related to financial instruments in the consolidated company as well as the management and evaluation to the risk exposure are not changed.

(1) Exchange rate risk

The consolidated company engages with sales and purchases transaction valued at foreign currency, and it generates the risk exposure of foreign exchange rate change in the consolidated company. In order to avoid the decrease of foreign currency asset value and the fluctuation of future cash flow caused by the change of exchange rate, the consolidated company avoids the impact of exchange rate change through the neutral offset of foreign currency assets and liabilities. Furthermore, relevant risks are avoided by net foreign currency position supported with forward exchange contract. The consolidated company uses forward exchange contract to avoid risk exposure in order to minimize the impact of the risk. The application of forward exchange contract is regulated by the policy approved by the Board of Directors in the consolidated company. Internal auditing personnel continue carrying out verification on the compliance of the policy and the limit of risk exposure. The consolidated company did not carry out forward exchange contract trading under speculative purpose.

The book value for currency assets and currency liabilities that are not under functional currency valuation in the consolidated company on the date of balance sheet can be referred to Note 31. Please refer to Note 7 for book value of derivative instrument that is under exposure of exchange rate risk.

Sensitivity analysis

For sensitivity analysis of foreign exchange rate risk, it is mainly calculated by the monetary items of foreign currency (mainly USD) on closing date during financial reporting period. When the functional currency used in the consolidated company appropriates/ depreciates 3% against USD, the net profit before tax for the consolidated company in 2020 will decrease/ increase $6,214 thousand. The net profit before tax in 2019 will decrease/ increase $7,448 thousand.

The sensitivity analysis above was calculated with the foreign currency risk exposure amount on the date of balance sheet, and the management level believed the sensitivity analysis was not able to reflect the risk exposure during the year.

(2) Interest rate risk

Due to the consolidated company possesses financial assets and financial liabilities in fixed interest rate, it is under the risk exposure of fair value caused by the change of interest rate. The possession of financial assets and financial liabilities in floating interest rate causes the cash flow risk exposure of interest rate change. The management level at the consolidated company regularly monitors the change in the market interest rate and make sure the interest rate of the consolidated company is close to market interest rate through the adjustment on the position of financial assets and financial liabilities with floating interest rate in order to respond to the risk caused by the change of market interest rate.

The book value of financial assets in the consolidated company under interest rate risk exposure on the date of balance sheet is as below:

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| With fair value interest rate risk | | |
| －Financial assets | $ 457,844 | $ 802,232 |
| －Financial liabilities | 724,927 | 1,779,941 |
| With cash flow interest rate risk | | |
| －Financial assets | 183,923 | 129,163 |
| －Financial liabilities | 3,050,000 | 3,950,000 |

Sensitivity analysis

For the sensitivity analysis related to interest rate risk, the consolidated company carried out the calculation based on the financial assets and financial liabilities on the date of balance sheet. The consolidated company used the 0.5% of market interest rate increase/ decrease as the basis to report reasonable risk assessment under the change of interest rate to the management level. Under the situation of all the other variables remain the same, the 0.5% of market interest rate increase/ decrease will reduce the net profit before tax to the consolidated company in 2020 caused by financial assets and financial liabilities with cash flow interest rate risk in $14,330 thousand. The net profit before tax in 2019 decreased/ increased $19,104 thousand.

(3) Other price risks

The consolidated company is exposed under fair value risk due to the possession of securities investment, like domestic and overseas stock as well as fund beneficiary certificate. The management level at the consolidated company manages risks through the possession of investment portfolio under different risks. In addition, the consolidated company assigns a specific team to monitor the price risk.

Sensitivity analysis

The sensitivity analysis below was carried out based on the price for marketable securities on the date of balance sheet. However, the risk of price fluctuation for the money market fund among the financial assets measured at fair value through profit or loss invested by the consolidated company was very low. Therefore, it was not included in the analysis.

If the equity price increases/ decreases 5%, the net profit before tax in 2020 and in 2019 will increase/ decrease $15,478 thousand and $20,051 thousand respectively due to the increase/decrease of fair value on the financial assets (excluding the investment of money market fund) measured at fair value through profit or loss. The other comprehensive income before tax in 2020 and in 2019 increased/decreased $170,696 thousand and $121,562 thousand due to the increase/decrease of fair value of the financial assets measured at fair value through other comprehensive income.

b. Credit risk

Credit risk refers to the risk of financial loss in the consolidated company caused by the overdue contract obligation from the counterparty. Until the date of balance sheet, the maximum credit risk exposure of financial loss in the consolidated company caused by the non-performing obligation from the counterparty and the financial guarantee provided by the consolidated company was from:

(1) The book value of financial assets recognized in the consolidated balance sheet.

(2) The consolidated company provides financial guarantee and is likely needed to pay the maximum amount without considering the possibility of occurrence.

The policy adopted by the consolidated company is to only trade with entities with good credit reputation in order to reduce the risk of financial loss. The consolidated company will continue monitor credit risk exposure and the crediting situation of the counterparty.

The objects of the accounts receivable in the consolidated company covered numerous customers and were spread in different areas without centering in one single customer or area. Besides, the consolidated company continues evaluating the financial status of the accounts receivable; therefore, the credit risk involved was limited.

c. Liquidity risk

The management level at the consolidated company maintains cash and cash equivalents as well as bank financing amount in sufficient positions to support operating capital required and reduce liquidity risk.

The consolidated company has sufficient capital in place, and there is no liquidity risk for non-performing contract obligation due to failure of financing.

(1) Liquidity and interest rate risk table

The following table clearly presents the analysis of remaining contract duration of the non-derivative financial liabilities that the consolidated company has agreed the period for repayment. It is prepared with the information of earliest repayment date as well as undiscounted cash flow on financial liabilities.

December 31st, 2020

| | Weighted average effective interest rate (%) | Pay on demand or shorter than 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Liabilities with no interest | | $ 413,154 | $ 27,740 | $ - |
| Lease liabilities | 1.06% | 6,216 | 19,290 | - |
| Fixed interest rate instrument | 0.81% | 700,000 | - | - |
| Floating interest rate instrument | 0.91% | - | 3,050,000 | - |
| | | $ 1,119,370 | $ 3,097,030 | $ - |

December 31st, 2019

| | Weighted average effective interest rate (%) | Pay on demand or shorter than 1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Liabilities with no interest | | $ 490,977 | $ 41,350 | $ - |
| Lease liabilities | 1.06% | 5,496 | 22,576 | 1,925 |
| Fixed interest rate instrument | 0.83% | 1,750,000 | - | - |
| Floating interest rate instrument | 1.05% | - | 3,950,000 | - |
| | | $ 2,246,473 | $ 4,013,926 | $ 1,925 |

(2) Loan commitment

Bank loan is an important source of liquidity for the consolidated company. The unused loan commitment by the consolidated company on the date of balance sheet is as below:

| | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Bank loan limit | | |
| －Amount used | $ 3,750,000 | $ 5,700,000 |
| －Amount unused | 5,714,800 | 3,029,800 |
| | $ 9,464,800 | $ 8,729,800 |

29. Related party transaction

The ultimate parent entity of our company's is USI Corporation, and the common stock held by it indirectly by December 31st, 2020 and 2019 were both 36.08%.

All the transactions, account balance, revenue, and expenses between our company and our subsidiaries (that is the related parties of our company) have been eliminated. Therefore, they are not disclosed in the note. Other than the disclosure in other notes, the transaction between the consolidated company and other related parties is as below:

1) Summary of the name of the related party that carries out significant transaction with our company, and its relationship with our company is as below:

| Name of the related party | Relationship with our company |
|---|---|
| USI Corporation (USI) | Ultimate parent entity |
| Union Polymer International Investment Cor. (Union Polymer) | Parent company |
| China General Plastics Corporation (CGPC) | Associate |
| China General Terminal & Distribution Corporation (CGTD) | Associate |
| ACME Electronics Corporation (ACME) | Associate |
| USI Optronics Corporation (USIO) | Associate |
| Swanson Plastics Corporation (SPC) | Associate |
| Taiwan VCM Corporation (TVCM) | Associate |
| CGPC Polymer Corporation (CGPCP) | Associate |
| Forever Young Company Limited（Forever Young） | Associate |
| Swanson Technologies Corporation (STC) | Associate |
| Taita Chemical Company Limited (TTC) | Fellow subsidiary |
| Taiwan United Venture Management Corporation (TUVM) | Fellow subsidiary |
| USI Management Consulting Corporation (UM) | Fellow subsidiary |
| USIFE Investment Co., Ltd. (USII) | Fellow subsidiary |
| INOMA Corporation (INOMA) | Fellow subsidiary |
| Chong Loong Trading Co., Ltd. | Fellow subsidiary |
| USI（Hong Kong）（USI (HK)） | Fellow subsidiary |
| USI Education Foundation (USIF) | Substantive related party |

2) Sales

| Category/ name of the related party | 2020 | 2019 |
|---|---|---|
| Ultimate parent entity | | |
| USI Corporation | $ 663,182 | $ 843,103 |
| Associate | 37,375 | 55,291 |
| Fellow subsidiary | 14,822 | 20,973 |
| | $ 715,379 | $ 919,367 |

The sales price and terms of transaction to related parties are the same as that to non-related parties.

3) Purchases

| Category/ name of the related party | 2020 | 2019 |
|---|---|---|
| Ultimate parent entity | | |
| USI Corporation | $ 217,849 | $ 283,354 |
| Associate | 28,322 | 33,572 |
| Fellow subsidiary | 10,998 | 51,269 |
| | $ 257,169 | $ 368,195 |

Relevant terms of transaction and price for purchases from related parties are the same as that from non-related parties. ◦

4) Management fee (recognized management fee)

| Category/ name of the related party | 2020 | 2019 |
|---|---|---|
| Ultimate parent entity | | |
| USI Corporation | $ 8,470 | $ 8,403 |
| Fellow subsidiary | | |
| UM | 39,286 | 42,566 |
| Others | 550 | 711 |
| | 39,836 | 43,277 |
| | $ 48,306 | $ 51,680 |

5) Lease agreement

Rent expense

| Category/ name of the related party | 2020 | 2019 |
|---|---|---|
| Ultimate parent entity | | |
| USI Corporation | $ 2,783 | $ 2,424 |

6) Rental agreement

Rent income

| Category/ name of the related party | 2020 | 2019 |
| --- | --- | --- |
| Ultimate parent entity | | |
| USI Corporation | $ 3,534 | $ 2,825 |
| Parent company | | |
| Union Polymer | 36 | 176 |
| Associate | | |
| TVCM | 12,680 | 12,912 |
| Others | 6,500 | 6,069 |
| | 19,180 | 18,981 |
| Fellow subsidiary | | |
| TTC | 6,686 | 7,157 |
| Others | 2,601 | 2,800 |
| | 9,287 | 9,957 |
| | $ 32,037 | $ 31,939 |

Associates rent pipelines from the consolidated company, and the duration is one year. When it is due but without further declaration, it will be regarded contract renewal automatically. The rent shall be calculated with the actual operating volume and paid monthly.

7) Charitable donation (recognized as management fee)

| Category/ name of the related party | 2020 | 2019 |
| --- | --- | --- |
| Substantive related party | | |
| USI Education Foundation | $ 3,000 | $ 2,000 |

8) Management service income ( recognized as other revenue)

| Category/ name of the related party | 2020 | 2019 |
| --- | --- | --- |
| Associate | $ 1,905 | $ 1,577 |

9) Investment consulting fee (recognized as other gains and losses)

| Category/ name of the related party | 2020 | 2019 |
| --- | --- | --- |
| Fellow subsidiary | | |
| TUVM | $ 1,397 | $ 1,734 |

10) Accounts receivable

| Category/ name of the related party | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Ultimate parent entity | | |
| USI Corporation | $ 189,988 | $ 147,057 |
| Associate | 3,549 | 6,211 |
| Fellow subsidiary | 3,876 | 3,516 |
| | $ 197,413 | $ 156,784 |

11) Other receivables

| Category/ name of the related party | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Ultimate parent entity | | |
| USI Corporation | $ 117 | $ 2,013 |
| Associate | | |
| CGTD | 1,000 | 832 |
| Others | 287 | 396 |
| | 1,287 | 1,228 |
| Fellow subsidiary | | |
| TTC | 617 | 667 |
| Others | 4 | 107 |
| | 621 | 774 |
| | $ 2,025 | $ 4,015 |

Other receivables- The receivables from the related parties are the payment of ultimate parent company and associates renting offices from our company.

12) Accounts payable

| Category/ name of the related party | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Ultimate parent entity | | |
| USI Corporation | $ 45,590 | $ 40,608 |
| Associate | 3,243 | 2,727 |
| Fellow subsidiary | | |
| TTC | - | 8,668 |
| | $ 48,833 | $ 52,003 |

13) Other payables

| Category/ name of the related party | December 31st, 2020 | December 31st, 2019 |
|---|---|---|
| Ultimate parent entity | | |
| USI Corporation | $ 46,442 | $ 160,383 |
| Associate | 2,947 | 5,591 |
| Fellow subsidiary | 497 | 614 |
| | $ 49,886 | $ 166,588 |

Other payables- The payables to related parties are the payment for the transfer and procurement of ethylene from our company to the ultimate parent entity.

14) Salary for the main management level

Total amount of salary for directors and other main management levels in 2020 and in 2019 is as below:

| | 2020 | 2019 |
|---|---|---|
| Short-term employee benefit | $ 16,355 | $ 14,922 |
| Benefit after retirement | - | 27 |
| | $ 16,355 | $ 14,949 |

Salary for directors and other main management levels is determined by Remuneration Committee based on personal performance and market trend.

30. Important commitment, subsequent, and contingent events

1) Important commitment

Up to December 31st, 2020, the balance of letter of credit that has been issued but not due in the consolidated company was $370,000 thousand.

2) Important contract

a. Our company and USI Corporation signed the joint venture agreement for the project of Gulei investment on April 17th, 2014. The counterparties for the contract or agreement are Ho Tung Chemical Corporation, LCY Chemical Corporation, Hsin Tay Petroleum Co., Ltd., Chenergy Global Corporation, and Lien Hwa Industrial Holdings Corporation. The main content includes (1) shareholders shall invest and establish Ever Victory Global Ltd. (hereinafter referred to as “the Joint Venture Company”) according to the provision of the contract and agree setting up a

100% shareholding company, Dynamic Ever Investments Limited (hereinafter referred to a “Hong Kong Company”) in Hong Kong for the investment of oil refining in Gulei Park located in Zhangzhou City, Fujian Province, China and the manufacturing of seven products including ethylene as well as other businesses that are approved by the competent authority of R.O.C. and agreed by the board resolution in the Joint Venture Company. (2)Hong Kong Company and Fujian Petrochemical Co., Ltd. established a company under co-investment in Gulei Park in Zhangzhou City, Fujian Province based on the law of People’s Republic of China to run the purpose of the business of the joint venture company (hereinafter referred to as Gulei Company). Hong Kong company obtained 50% of issued shares of Gulei Company as the accordance of co-investment. However, the total amount that the Joint Venture company has to invested to Gulei Company increased after signing the original joint venture agreement due to the increase of fund for the investment plan. It caused part of the original contract or agreement counterparties were not able to perform the contract in the investment ratio specified in the original joint venture contract. As a result, our company and USI Corporation re-entered the joint venture contract with original contract or agreement counterparties as well as CTCI Corporation on September 30th, 2016. The original joint venture contract terminated at the same time.

Until December 31st, 2018, our company and USI Corporation has invested to Ever Conquest Global Ltd. in accumulated US$103,240 thousand (around NT$3,190,905 thousand) and US$ 176,268 thousand (around NT$5,442,336 thousand) respectively (recognized as investment using equity method). The company serves as a medium to re-invest the joint venture company, and it re-invested Hong Kong Company in January and July 2017 and in August 2018 in total amount of US$343,977 thousand. In April and August 2017 and November 2018, it re-invested Gulei Company in total amount of RMB 2,304,800 thousand (around

US$335,901 thousand). The joint venture company was invested through a third area investment.

Our company and USI Corporation increased the investment to Ever Conquest Global Ltd. in May and August 2019 with the amount of US$40,920 thousand (NT$1,280,71 thousand) and US$70,402 thousand (around NT$2,203,644 thousand) respectively.

Our company increased the investment to Ever Conquest Global Ltd. separately in March and December 2020 in the amount of US$18,832 thousand (around NT$570,606 thousand) and US$7,483 thousand (NT$213,358 thousand) respectively.

Until December 31st, 2020, our company and USI Corporation has invested US$170,475 thousand (around NT$5,255,588 thousand) and US$246,670 thousand (around NT$7,645,980 thousand) respectively for the joint venture company, Ever Conquest Global Ltd. as well as transferred the capital to re-invest the joint venture company through Ever Conquest in US$417,145 thousand. The Joint Venture Company re-invested Hong Kong Company in June and August 2019 with the amount of US$63,855 thousand and US$63,855 thousand respectively. In June and August 2019 and in April and December 2020, the re-investment to Gulei Company has accumulated to RMB2,352,400 thousand (around US$338,418 thousand) in total.

In order to replenish the operating capital in Gulei Company, the Joint Venture Company signed a joint venture contract with DOR PO INVESTMENT COMPANY LIMITED in Hong Kong (hereinafter referred to as DOR PO Company) on June 5th, 2019 to invest Hong Kong Company together. According to the joint venture contract, DOR PO Company shall contribute US$109,215 thousand to participate in the capital increase in Hong Kong company. Up to December 31st, 2020, DOR PO Company has contributed US$99,108 thousand. It roughly accounts for 14.7% of equity in Hong Kong Company.

b. In order to enhance the effectiveness of asset management, the consolidated company provided 10 pieces of land located at the $3^{rd}$ subsection, Yenji Section, Songshan District, Taipei City that were recognized as investment property to coordinate with the adjacent lands and participate in the urban renewal plan organized by Huaku Development Co., Ltd. (hereinafter referred to as Huaku Company) in the method of right transfer. An urban renewal development contract has been signed, and the performance bond of $6,400 thousand has been collected from the construction company. The proposal was assessed and approved by Taipei City Government on November $30^{th}$, 2017. In addition, to ensure the smooth development and completion of the urban renewal plan, the consolidated company and Huaku Company jointly signed a real estate trust contract with Trust Division at E.SUN Bank in 2017 to jointly entrusted Trust Division, E.SUN Bank to deal with property right management, splitting and merging, and transfer & disposal of the construction site and the buildings on the site during the duration of the fiduciary relationship. Up to December $31^{st}$, 2020, emptying out for handing over has been completed.

3) Significant contingency

Regarding the accident of gas explosion happened on the evening of July $31^{st}$, 2014 involving propylene pipeline operation carried out by the investee company, China General Terminal & Distribution Corporation (hereinafter referred to as China General Distribution) using equity method entrusted by LCY Chemical Corporation (hereinafter referred to as LCY), the judgement of second instance for the criminal responsibility of the gas explosion was announced on April $24^{th}$, 2020. The three employees in China General Distribution were all acquitted innocence.

China General Distribution entered an agreement with Kaohsiung City Government on February $12^{th}$, 2015 and provided a bank time deposit certificate of $227,458 thousand (including interest) for the creation of pledge to Kaohsiung City Government as the guarantee for the losses suffered from the gas explosion. Kaohsiung City Government also filed civil proceeding against China General Distribution, LCY Chemical Corporation, and CPC Corporation, Taiwan successively. In addition, Taiwan Power Company applied the execution of provisional attachment in the assets held by China General Distribution to the court on August 27th and November 26th, 2015 respectively. China General Distribution has lodged $99,207 thousand at the court in cash to be waived from the provisional attachment. Taiwan Water Corporation also claimed provisional attachment in the assets held by China General Distribution to the court on February 3rd and March 2nd, 2017 respectively. Until February 26th, 2021, the total asset value held by China General Distribution under provisional attachment was around $9,581 thousand.

China General Distribution, LCY Chemical Corporation, and Kaohsiung City Government entered a tripartite agreement on July 17th, 2015 about the deceased victims in the gas explosion and agreed negotiating the compensation settlement to the heirs and claimants of the 32 victims (hereinafter referred to as "family members of the victims". Payment of $12,000 thousand shall be paid to the family members of each victim, and the total settlement amount was $384,000 thousand. The settlement payment was paid by LCY Chemical Corporation on behalf of the three parties in the contract first. Besides, LCY Chemical Corporation also represented the three parties in the contract to negotiate and enter the settlement agreement with the family members of the victims.

For those who were badly injured, China General Distribution, LCY Chemical Corporation, and Kaohsiung City Government also entered a tripartite agreement for the serious injury on October 25th, 2017 and agreed negotiating the compensation to the 65 persons who were badly injured. The settlement payment was paid by China General Distribution and Kaohsiung City Government first. In addition, China General Distribution represented the three parties in the contract to deal with the settlement with those who were badly injured in the gas explosion. Settlement agreement has been signed with 64 persons among them.

Up to February 26th, 2021, there were some people who suffered from loss, who were victim of the gas explosion or their family members filed civil (including civil suit collateral to criminal proceedings) lawsuit against China General Distribution, LCY Chemical Corporation, and CPC Corporation, Taiwan for compensation claims. Based on the consideration of legal costs, China General Distribution settled down the compensation claim of $46,677 thousand with the settled compensation amount of $4,519 thousand. The remaining amount of claim in the progress of lawsuit and the compensation to the victim and those who were badly injured mentioned in the previous paragraph was in total around $3,856,447 thousand. Part of above civil cases (the compensation amount claimed was around $1,341,128 thousand) has started to announce the result of first instance one after another from July 22nd, 2018. Most of the cases were referred to the criminal judgment of first instance announced then and recognized the ratio of liability for negligence among Kaohsiung City Government, LCY Chemical Corporation, and China General Distribution was 4∶3∶3. China General Distribution and LCY Chemical Corporation as well as other defendants shall compensate the amount of around $401,979 thousand (among them, a court decision of $6,194 thousand was made to China General Distribution for the waive of the compensation responsibility). Civil cases that have been announced but not settled were filed appeals by China General Distribution and have been carried out second instance proceeding one after another. Moreover, China General Distribution has entered claim agreement with the insurance company. The estimated compensation amount to the deceased victims and those who were badly injured and compensation for the civil proceeding (including settled cases) based on the ratio of liability under the judgment of first instance shall be recognized as the amount to be covered by China General Distribution after deducting the upper limit of insurance claim. It has been estimated $136,375 thousand of accounting estimate. However, the actual amount of the settlement and compensation above can only be confirmed after the ratio of responsibility that China General Distribution shall share is confirmed in the civil proceeding in the future.

31. Foreign currency asset and liability that are with significant impact

The following information is presented in the summary of foreign currency that is not the functional currency at each entity in the consolidated company. The foreign exchange rate disclosed refers to the exchange rate of the foreign currency exchanged to the functional currency. Foreign assets and liabilities that are with significant impact are as below:

Unit: Other than the unit for exchange rate is one dollar, the unit used for each currency/ book value is a thousand dollars.

December 31st, 2020

| | Foreign currency | Exchange rate | Functional currency | Book value |
|---|---|---|---|---|
| Financial assets | | | | |
| Monetary item | | | | |
| USD | $ 10,807 | 28.480 (USD: NTD) | $ 307,795 | $ 307,795 |
| USD | 271 | 6.5249 (USD: RMB) | 1,769 | 7,721 |
| RMB | 2,092 | 0.1533 (RMB: USD) | 321 | 9,142 |
| RMB | 87,272 | 4.3648 (RMB: NTD) | 380,924 | 380,924 |
| JPY | 5 | 0.2763 (JPY: NTD) | 1 | 1 |
| | | | | $ 705,583 |
| Non-monetary item | | | | |
| Associates using equity method | | | | |
| USD | 177,912 | 28.480 (USD: NTD) | 5,066,945 | $ 5,066,945 |
| Financial liabilities | | | | |
| Monetary item | | | | |
| USD | 3,805 | 28.480 (USD: NTD) | 108,375 | $ 108,375 |
| RMB | 204 | 0.1533 (RMB: USD) | 31 | 883 |
| JPY | 7,072 | 0.2763 (JPY:NTD) | 1,954 | 1,954 |
| EUR | 24 | 35.020 (EUR:NTD) | 847 | 847 |
| | | | | $ 112,059 |
| Non-monetary item | | | | |
| Derivative instrument | | | | |
| RMB | 77,600 | 4.3648 (RMB: NTD) | 3,912 | $ 3,912 |

December 31st, 2019

| | Foreign currency | Exchange rate | Functional currency | Book value |
|---|---|---|---|---|
| Financial assets | | | | |
| Monetary item | | | | |
| USD | $ 11,542 | 29.980 (USD: NTD) | $ 346,016 | $ 346,016 |
| USD | 198 | 6.9761 (USD: RMB) | 1,384 | 5,948 |
| RMB | 2,941 | 0.1433 (RMB: USD) | 422 | 12,652 |
| RMB | 85,806 | 4.2975 (RMB: NTD) | 368,753 | 368,753 |
| JPY | 5 | 0.2760 (JPY: NTD) | 1 | 1 |
| | | | | $ 733,370 |
| Non-monetary item | | | | |
| Associates using equity method | | | | |
| USD | 142,273 | 29.980 (USD: NTD) | 4,265,335 | $ 4,265,335 |
| Derivative instrument | | | | |
| USD | 1,730 | 29.980 (USD: NTD) | 677 | 677 |
| | | | | $ 4,266,012 |
| Financial liabilities | | | | |
| Monetary item | | | | |
| USD | 3,459 | 29.980 (USD: NTD) | 103,707 | $ 103,707 |
| RMB | 52 | 0.1433 (RMB: USD) | 7 | 223 |
| JPY | 188 | 0.2760 (JPY: NTD) | 52 | 52 |
| | | | | $ 103,982 |
| Non-monetary item | | | | |
| Derivative instrument | | | | |
| RMB | 72,000 | 4.2975 (RMB: NTD) | 583 | $ 583 |

The gain or loss on foreign currency exchange (realized and unrealized) in the consolidated company on December 31st, 2020 and 2019 was net loss of $12,905 thousand and $12,449 thousand respectively. Due to the variety of foreign currency transaction, it was unable to disclose exchange gain or loss based on each individual currency that was with significant impact.

32. Disclosure in the notes

1) Significant transaction and re-investment related information:

a. Lending funds to other parties. (None)

b. Providing endorsement or guarantees to other parties. (None)

c. Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture). (Attached Table 1)

d. Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. (Attached Table 2)

e. Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

f. Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

g. Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. (Attached Table 3)

h. Accounts receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more. (Attached Table 4)

i. Trading in derivative instruments: Note 7.

j. Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Attached Table 5)

2) Information on re-investment (Attached Table 6).

3) Information on investments in the Mainland Area:

a. Information on the investee company, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area. (Attached Table 7)

b. Any of the following significant transactions with investee companies in the Mainland Area, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Attached Table 8)

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

(3) The amount of property transactions and the amount of the resultant gains or losses.

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

4) Information on major shareholders: an issuer whose stock is listed on the TWSE or listed on the TPEx shall disclose the names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the issuer's equity. (Attached Table 9)

Other than the disclosure on attached Table 1 to 9, there are no other significant transactions, re-investments, and information on the investment in Mainland China that shall be disclosed.

33. Information of departments

1) Information of operating departments: According to IFRS8 “operating departments”, the consolidated company is a single operating department for manufacturing and selling petrochemical products. Therefore, no information of departments shall be disclosed.

2) Financial information by regions

The revenue in our company from the continuous operations of the external customers is classified by the country that customers are located as well as the non-current assets are classified by the regions of where the assets are located. The detailed information is listed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | 2020 | 2019 | December 31st, 2020 | December 31st, 2019 |
| Taiwan | $ 1,636,875 | $ 1,787,714 | $ 3,708,090 | $ 3,734,652 |
| Asia | 3,988,373 | 4,948,560 | 72,967 | 79,199 |
| Others | 78,298 | 54,883 | - | - |
| | $ 5,703,546 | $ 6,791,157 | $ 3,781,057 | $ 3,813,851 |

Non-current assets do not include financial instruments, deferred income tax assets, and refundable deposits.

3) Information of main customer:

Customers who account for net sale revenue in the consolidated company for 10% or more:

| Name of the customer | 2020 | 2019 |
| --- | --- | --- |
| Customer A | $ 663,182 | $ 843,103 |

Asia Polymer Corporation and the Subsidiaries
Status of holding of securities at the end of the period
December 31st, 2020

Table 1

Unit: Unless it is otherwise specified, it shall be NT$ thousand

| Company that holds the securities | Securities and its name | Relationship with the issuer of the securities | Recognition in accounting statement | End of the period | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares/ units | Book value | Shareholding ratio (%) | Fair value | |
| Asia Polymer Corporation | Stock | | | | | | | |
| | Common stock, Harbinger Venture Capital Corp. | None | Financial assets measured at fair value through other comprehensive income-non-current | 2,377 | $ 18 | 1.20% | $ 18 | |
| | Common stock, Riselink Venture Capital Corp. | 〃 | 〃 | 2,632 | 318 | 1.67% | 318 | |
| | Common stock, KHL 1A Venture Capital Corp. | 〃 | 〃 | 12,044,707 | 275,462 | 11.90% | 275,462 | |
| | Common stock, USI Corporation | Ultimate parent entity | 〃 | 101,355,673 | 2,290,638 | 8.53% | 2,290,638 | |
| | Common stock, CTCI Corporation | None | 〃 | 14,446,107 | 551,842 | 1.89% | 551,842 | |
| | Common stock, AU Optronics Corporation | 〃 | 〃 | 9,618,516 | 134,659 | 0.10% | 134,659 | |
| | Common stock, Wafer Works Corp. | 〃 | Financial assets measured at fair value through other comprehensive income-current | 2,017,946 | 86,368 | 0.39% | 86,368 | |
| | Common stock, Unimicron Technology Corp. | 〃 | Financial assets measured at fair value through profit or loss- current | 300,000 | 26,220 | 0.02% | 26,220 | |
| | Common stock, Evergreen Marine Corporation | 〃 | 〃 | 1,693,251 | 68,915 | 0.04% | 68,915 | |
| | Common stock, Quanta Computer Inc. | 〃 | 〃 | 200,000 | 16,180 | 0.01% | 16,180 | |
| | Common stock, United Microelectronics Corp. | 〃 | 〃 | 450,000 | 21,218 | 0.00% | 21,218 | |
| | Common stock, G.M.I. Technology Inc. | 〃 | 〃 | 1,515,800 | 21,752 | 1.21% | 21,752 | |
| | Common stock, Taiwan Cement Corp. | 〃 | 〃 | 500,000 | 21,600 | 0.01% | 21,600 | |
| | Securitized notes | | | | | | | |
| | Cathay No.1 Real Estate Investment Trust Fund | 〃 | 〃 | 3,281,000 | 61,388 | - | 61,388 | |
| | Beneficiary certificate | | | | | | | |
| | Mega Diamond Money Market Fund | 〃 | 〃 | 5,887,835 | 74,481 | - | 74,481 | |
| | Capital Money Market Fund | 〃 | 〃 | 2,152,072 | 35,004 | - | 35,004 | |
| | Jih Sun Money Market Fund | 〃 | 〃 | 16,818,904 | 251,443 | - | 251,443 | |
| | Prudential Financial Money Market Fund | 〃 | 〃 | 3,137,157 | 50,053 | - | 50,053 | |

(continued)

| Company that holds the securities | Securities and its name | Relationship with the issuer of the securities | Recognition in accounting statement | End of the period | | | | Remark |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares/ units | Book value | Shareholding ratio (%) | Fair value | |
| | Taishin 1699 Money Market Fund | None | Financial assets measured at fair value through profit or loss- current | 12,021,036 | $ 164,038 | - | $ 164,038 | |
| | CTBC Hua Win Money Market Fund | 〃 | 〃 | 5,672,048 | 63,002 | - | 63,002 | |
| | FSITC Taiwan Money Market Fund | 〃 | 〃 | 3,564,088 | 55,006 | - | 55,006 | |
| | Hua Nan Kirin Money Market Fund | 〃 | 〃 | 6,381,916 | 77,000 | - | 77,000 | |
| APC(BVI) Holding Co.,Ltd. | Stock | | | | | | | |
| | Common stock, Budworth Investment Ltd. | 〃 | Financial assets measured at fair value through other comprehensive income- non-current | 40,467 | 10 | 4.45% | 10 | |
| | Special stock, Silicon Technology Investment (Cayman) Corp. | 〃 | 〃 | 1,139,776 | 57,117 | 2.19% | 57,117 | |
| | Special stock D, NeuroSky, Inc. | 〃 | 〃 | 2,397,364 | - | 0.37% | - | ( Remark 1 ) |
| | Solargiga Energy Holdings Ltd. | 〃 | 〃 | 15,863,333 | 17,480 | 0.49% | 17,480 | |
| | Common stock, Teratech Corp. | 〃 | 〃 | 112,000 | - | 0.67% | - | ( Remark 1 ) |
| | Preferred stock, TGF Linux Communication, Inc. | 〃 | Financial assets measured at fair value through profit or loss- non-current | 300,000 | - | - | - | ( Remark 1 ) |
| | Preferred stock Sohoware, Inc. | 〃 | 〃 | 450,000 | - | - | - | ( Remark 1 ) |
| | Preferred stock, Boldworks, Inc. | 〃 | 〃 | 689,266 | - | - | - | ( Remark 1 ) |
| APC Investment Co.,Ltd. | Stock | | | | | | | |
| | Common stock, USI Corporation | Ultimate parent entity | Financial assets measured at fair value through profit or loss- current | 44,808 | 1,013 | - | 1,013 | |
| | Common stock, Taiwan Cement Corp. | None | 〃 | 300,000 | 12,960 | 0.01% | 12,960 | |
| | Common stock, United Microelectronics Corp. | 〃 | 〃 | 150,000 | 7,072 | - | 7,072 | |
| | Common stock, Evergreen Marine Corporation | 〃 | 〃 | 564,416 | 22,972 | 0.01% | 22,972 | |
| | Common stock, Quanta Computer Inc. | 〃 | 〃 | 100,000 | 8,090 | - | 8,090 | |
| | Common stock, Unimicron Technology Corp. | 〃 | 〃 | 150,000 | 13,110 | 0.01% | 13,110 | |
| | Common stock, G.M.I. Technology Inc. | 〃 | 〃 | 492,900 | 7,073 | 0.39% | 7,073 | |
| | Beneficiary certificate | | | | | | | |
| | Cathay Taiwan Money Market Fund | None | Financial assets measured at fair value through profit or loss- current | 499,525 | 6,261 | - | 6,261 | |

Remark 1: Due to the recognition as investment loss in the past few years, the book value for the long-term equity investment to the investee company is zero.
Remark 2: Please refer to Table 6 and Table 7 for the equity information related to the investee subsidiaries, associates, and joint venture.

(continued)

Asia Polymer Corporation and the Subsidiaries

Accumulated purchasing or selling the same marketable securities in the amount of NT$300 million or 20% paid-in capital or more

January 1st to December 31st, 2020

Table 2

Unit: Unless it is otherwise specified, it shall be NT$ thousand

| Name of the company conducting the trading | Type and name of the marketable securities | Recognition in accounting statement | Trading party | Relationship | Beginning of the period (opening) | | Purchases | | Sales | | | | End of the period (closing) (remark) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of units | Amount | Number of units | Amount | Number of units | Selling price | Book cost | Disposal gains | Number of units | Amount |
| Asia Polymer Corporation | Stock | | | | | | | | | | | | | |
| | Ever Conquest Global Limited., | Investment using equity method | | Investee company using equity method | 144,160,000 | $ 4,265,335 | 26,315,000 | $ 783,964 | - | $ - | $ - | $ - | 170,475,000 | $ 5,066,945 (Remark1) |
| | Fund | | | | | | | | | | | | | |
| | Taishin 1699 Money Market Fund | Financial assets measured at fair value through profit or loss-current | — | — | 18,356,835 | 248,000 | 35,947,285 | 490,000 | 42,283,084 | 576,189 | 574,000 | 2,189 | 12,021,036 | 164,038 (Remark 2) |
| | Taishin Ta-Chong Money Market Fund | 〃 | | | 3,832,822 | 54,400 | 21,475,665 | 307,000 | 25,308,487 | 361,769 | 361,400 | 369 | - | - |
| | CTBC Hua Win Money Market Fund | 〃 | | | 14,112,664 | 155,000 | 32,094,158 | 356,000 | 40,534,774 | 449,485 | 448,000 | 1,485 | 5,672,048 | 63,002 (Remark 3) |
| | FSITC Money Market | 〃 | — | — | 957,942 | 171,000 | 2,239,281 | 402,000 | 3,197,223 | 573,842 | 573,000 | 842 | - | - |
| | FSITC Taiwan Money Market Fund | 〃 | — | — | 12,624,735 | 193,000 | 12,026,785 | 185,300 | 21,087,432 | 324,749 | 323,300 | 1,449 | 3,564,088 | 55,006 (Remark 4) |

Remark 1: Book cost includes initial acquisition cost, investment profit of loss recognized under equity method, foreign exchange, and adjustments of change in net value.

Remark 2: Closing amount shown in the account book of $164,038 thousand is the balance of investment cost $164,000 thousand plus valuation adjustment of $38 thousand.

Remark 3: Closing amount shown in the account book of $63,002 thousand is the balance of investment cost $63,000 thousand plus valuation adjustment of $2 thousand.

Remark 4: Closing amount shown in the account book of $55,006 thousand is the balance of investment cost $55,000 thousand plus valuation adjustment of $6 thousand.

Asia Polymer Corporation and the Subsidiaries

Amount of purchasing or selling transaction with related parties achieved NT$100 million or 20% paid-in capital or more

January 1st to December 31st, 2020

Table 3

Unit: Unless it is otherwise specified, it shall be NT$ thousand

| Name of company executing purchases (sales) | Name of the trading party | Relationship | Status of transaction | | | | Transaction condition differs from general condition and its reason | | Accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit period | Unit price | Credit period | Balance | | Percentage of total accounts receivable (payable) |
| Asia Polymer Corporation | USI Corporation | Ultimate parent entity | Sales | ( $ 662,692 ) | ( 11.62% ) | 60 days | No significant difference | No significant difference | Accounts receivable-related party | $ 189,988 | 25.58% |
| USI Trading (Shanghai) Co., Ltd. | USI Corporation | Ultimate parent entity | Purchases | 119,428 | 3.84% | 30 days | No significant difference | No significant difference | Accounts payable-related party | ( 33,203 ) | ( 11.54% ) |

Asia Polymer Corporation and the Subsidiaries

Amount of accounts receivable from related parties achieving NT$100 million or 20% paid-in capital or more

December 31st, 2020

Table 4

Unit: Unless it is otherwise specified, it shall be NT$ thousand

| Name of the company recognized as accounts receivable | Trading party | Relationship | Balance of accounts receivable from the related party | | Turnover rate | Overdue accounts receivable from the related parties | | Accounts receivable from the related parties-received amount after period (Remark 2) | Recognition of allowance for bad debts |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Amount | Handling method | | |
| Asia Polymer Corporation | USI Corporation | Ultimate parent entity | Accounts receivable-related parties | $ 189,988 | 3.94 | $ - | - | $ 189,988 | Remark 1 |

Remark 1: No need to recognize allowance for bad debts after evaluation.

Remark 2: "After period" refers to the period between January 1st and March 5th, 2021.

Asia Polymer Corporation and the Subsidiaries

Business relationship, important transaction, and the amount between the parent company and subsidiaries as well as between subsidiaries

January 1st to December 31st, 2020

Table 5

Unit: Unless it is otherwise specified, it shall be NT$ thousand

| Code (Remark 1) | Name of the trader | Transaction party | Relationship with the trader (Remark 2) | Status of transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | Accounting subject | Amount (Remark 4) | Trading condition | Percentage of consolidated total revenue or total asset (Remark 3) |
| 0 | Asia Polymer Corporation | APC Investment Corporation | (1) | Non-operating income and expense-rent income | $ 142 | No significant difference | - |
| 0 | Asia Polymer Corporation | USI Trading (Shanghai) Co., Ltd. | (1) | Accounts receivable- related parties | 12,462 | No significant difference | 0.07% |
| | | | | Sales | 63,613 | No significant difference | 1.12% |
| | | | | Commission expense | 804 | No significant difference | 0.01% |
| | | | | Other payables- related parties | 98 | No significant difference | - |
| 1 | USI International Corp. | USI Trading (Shanghai) Co., Ltd. | (3) | Other receivables- related parties | 7,914 | No significant difference | 0.05% |
| | | | | Other payables- related parties | 892 | No significant difference | - |
| | | | | Non-operating income and expense-rent income | 1,490 | No significant difference | 0.03% |
| | | | | Management service fee | 124 | No significant difference | - |

Remark 1: Information of business between the parent company and the subsidiary shall be marked clearly on the column of code. The code principle is as below:

(1) Fill 0 for the parent company.

(2) Each subsidiary shall be coded from number 1 and followed sequentially according to the name of subsidiary.

Remark 2: The relationship with the trader includes the following three types, and just mark the type:

(1) Parent company to the subsidiary.

(2) Subsidiary to the parent company.

(3) Subsidiary to subsidiary.

Remark 3: For the recognition of assets or liabilities, the calculation of the transaction amount in the percentage of total revenue or total asset shall be based on closing balance accounting for the consolidated total asset. If it is profit or loss, it shall be calculated by the accumulated amount during the period accounting for the consolidated total revenue.

Remark 4: It has been fully written off when preparing the consolidated financial statement.

## Asia Polymer Corporation and the Subsidiaries
## Information of the investee company and the location
## January 1st to December 31st, 2020

Table 6

Unit: Unless it is otherwise specified, it shall be NT$ thousand

| Name of the investment company | Name of the investee company | Location | Main business item | Original investment amount: End of current period | Original investment amount: End of previous year | Shareholding by the end of the period: Number of shares | Shareholding by the end of the period: Ratio | Shareholding by the end of the period: Amount of book value | Current profit (loss) in the investee company | Investment profit (loss) recognized in the current period | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Asia Polymer Corporation | APC (BVI) Holding Co., Ltd | British Virgin Islands | Re-investment | $ 392,306<br>( US$13,774,806 ) | $ 392,306<br>( US$ 13,774,806) | 11,342,594 | 100.00% | $ 517,012 | $ 15,182 | $ 15,182 | Subsidiary (Remark 1) |
| | APC Investment Co., Ltd. | Taipei, Taiwan | Investment | 200,000 | 200,000 | 20,000,000 | 100.00% | 132,491 | 33,542 | 33,542 | Subsidiary (Remark 1) |
| | USI International Corp. | British Virgin Islands | Re-investment | 59,808<br>( US$2,100,000 ) | 79,744<br>( US$2,800,000) | 2,100,000 | 70.00% | 63,415 | 5,387 | 3,771 | Subsidiary (Remark 1) |
| | China General Plastics Corporation | Taipei, Taiwan | Producing and selling PVC sheet, plastic leather, plastic pipe, plastic pumping tablets, plastic powder, profile extrusion material, alkali-chlorine, and other relevant products | 247,412 | 247,412 | 44,653,510 | 8.07% | 782,997 | 1,634,185 | 131,866 | Investee company using equity method |
| | China General Terminal & Distribution Corporation | Taipei, Taiwan | Storage and transportation of petrochemical Materials | 41,082 | 41,082 | 19,918,184 | 33.33% | 315,711 | 69,385 | 23,128 | Investee company using equity method |
| | Swanson Plastics Corporation | Taipei, Taiwan | Producing and selling PVC shrink film and industrial multi-layer packaging film | 75,242 | 75,242 | 12,266,779 | 7.95% | 206,857 | 247,423 | 19,669 | Investee company using equity method |
| | ACME Electronics Corporation | Taipei, Taiwan | Producing and selling manganese zinc ferrite, flexible ferrite, magnetic powder, and magnetic core | 61,348 | 61,348 | 6,056,623 | 3.31% | 42,939 | 33,393 | 1,105 | Investee company using equity method |
| | Taiwan United Venture Capital Corp. | Taipei, Taiwan | Investing high-tech business | 52,791 | 52,791 | 3,913,533 | 8.33% | 21,472 | ( 4,172 ) | ( 347 ) | Investee company using equity method |
| | Thintec Materials Corporation | Taipei, Taiwan | Manufacturing reinforced plastic products | - | 36,250 | - | - | | 15 | 4 | Investee company using equity method |
| | USI Optronics Corporation | Taipei, Taiwan | Manufacturing and selling sapphire single crystal | 59,725 | 59,725 | 5,972,464 | 9.20% | 12,579 | ( 62,320 ) | ( 5,735 ) | Investee company using equity method |
| | Ever Conquest Global Ltd. | British Virgin Islands | Re-investment | 4,855,128<br>( US$170,475,000 ) | 4,105,677<br>( US$144,160,000 ) | 170,475,000 | 40.87% | 5,066,945 | ( 113,719 ) | ( 44,058 ) | Investee company using equity method |
| APC (BVI) Holding Co., Ltd | ACME Electronics (Cayman) Corp. | Cayman Islands | Re-investment | 149,375<br>( US$5,244,903) | 149,375<br>( US$5,244,903 ) | 8,316,450 | 16.64% | 200,825 | 9,485 | - | Company invested by APC (BVI) Holding Co., Ltd, using equity method |
| | USI International Corp. | British Virgin Islands | Re-investment | 25,632<br>( US$900,000 ) | 34,176<br>( US$1,200,000 ) | 900,000 | 30.00% | 27,178 | 5,387 | - | Company invested by APC (BVI) Holding Co., Ltd, using equity method (Remark 1) |
| APC Investment Co., Ltd. | ACME Electronics Corporation | Taipei, Taiwan | Producing and selling manganese zinc ferrite, flexible ferrite, magnetic powder, and magnetic core | 14,889 | 14,889 | 1,884,548 | 1.03% | 13,361 | 33,393 | - | Company invested by APC Investment Co.,Ltd. using equity method |
| | Swanson Technologies Corporation | Taipei, Taiwan | Producing and selling EVA packaging film | 30,000 | 30,000 | 3,000,000 | 15.00% | ( 16,165 ) | ( 14,109 ) | - | Company invested by APC Investment Co.,Ltd. using equity method |
| Ever Conquest Global Ltd. | Ever Victory Global Ltd. | British Virgin Islands | Re-investment | 11,880,290<br>( US$417,145,000 ) | 11,130,838<br>( US$390,830,000 ) | 417,145,000 | 67.40% | 12,398,596<br>( US$435,344,000) | ( 153,485 )<br>( US$ 5,198,000 ) | - | Company invested by Ever Conquest Global Ltd., using equity method |
| Ever Victory Global Ltd. | Dynamic Ever Investments Ltd. | Hong Kong | Re-investment | 16,770,448<br>( US$588,850,000) | 13,906,385<br>( US$488,286,000 ) | 588,850,000 | 85.00% | 17,523,490<br>(US$615,291,000) | ( 175,395 )<br>( US$ 5,942,000 ) | - | Company invested by Ever Victory Global Ltd., using equity method |

Remark 1: It shall be fully written off when preparing the consolidated financial statement.

# Asia Polymer Corporation and the Subsidiaries

## Information of investment in Mainland China

## January 1st to December 31st, 2020

Table 7

Unit: Unless it is otherwise specified, it shall be NT$ thousand

| Name of the investee company in Mainland China | Main business item | Paid-in capital (Remark 3) | Investment method (Remark 1) | Accumulated investment amount transferred from Taiwan in the beginning of the period | Transferred or recovered investment amount in the current period | | Accumulated investment amount transferred from Taiwan by the end of the period | Profit or loss of the current period in the investee company (Remark 3) | Shareholding ratio directly or indirectly by our company | Investment profit (loss) recognized in the current period (Remark 3) | Book value of the investment by the end of the period (Remark 4) | Repatriation of investment profit by the end of period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Transferred | Recovered | | | | | | |
| Yuefeng Electronics (Kunshan) Co., Ltd. | Manufacturing and selling manganese zinc ferrite and magnetic core | $ 875,048 ( US$30,725,000) | (2) ACME Electronics (Cayman) Corp. | $ 118,971 ( US$ 4,177,369) | $ - | $ - | $ 118,971 ( US$ 4,177,369 元) | B $ 7,332 | 16.64% | $ 1,220 | $ 130,641 | $ - |
| USI Trading (Shanghai) Co., Ltd. | Selling chemical products and equipment | 71,200 ( US$2,500,000) | (2) APC (BVI) Holding Co., Ltd | 86,454 (US$ 3,035,601 ) | - | - | 86,454 ( US$ 3,035,601 ) | B 11,497 | 100.00% | 11,497 | 120,346 | - |
| Fujian Gulei Petrochemical Company Limited | Crude oil processing and manufacturing petroleum products | 40,655,493 ( RMB 9,314,400,000) | (2) Dynamic Ever Investments Ltd.,(Remark 2) | 3,789,932 ( US$ 133,073,466 ) | 706,572 ( US$ 24,809,406 ) | - | 4,496,504 ( US$ 157,882,871 ) | A ( 330,217 ) | 11.71% | ( 40,514 ) | 4,723,802 | - |

| Accumulated investment amount transferred from Taiwan to Mainland China by the end of the period | Investment amount approved by Investment Board, Ministry of Economic Affairs | Limitation of investment amount in Mainland China regulated by Investment Board, Ministry of Economic Affairs |
|---|---|---|
| $4,839,207 (Remark 5) ( US$169,915,978 ) | $6,374,838 ( US$223,835,608 ) | $- ( Remark 6 ) |

Remark 1: Investment method includes the following three types, and just need to mark the type:

(1) Direct investment in Mainland China.

(2) Re-investment to Mainland China through a third area (please remark the investment company in the third area).

(3) Other methods.

Remark 2: The investment was through Ever Conquest Global Ltd. with shareholding ratio of 40.87% in a third area to re-invest 67.40% in Ever Victory Global Ltd. before re-investing 85.00% in Dynamic Ever Investments Ltd. in order to indirectly invest 50% of capital in Fujian Gulei Petrochemical Company Limited.

Remark 3: In the column of investment profit or loss recognized in the current year:

(1) Please mark if the investment is still under preparation and without any investment profit or loss for the current period.

(2) The basis of recognizing investment profit or loss can be classified into the following three type; please remark.

A. Financial statement audited by international public accounting firms that work with CPA Associations R.O.C. (Taiwan).

B. Financial statement that has been audited by the certified accountants appointed by the parent company in Taiwan.

C. Others.

Remark 4: It was calculated by the exchange rate on December 31st, 2020.

Remark 5: It is the company that our company indirectly invested in Mainland China through APC(BVI)Holding Co. Ltd. re-investing Silicon Technology Investment (Cayman) Corp.(STIC) and Solargiga Energy Holdings Ltd.

Remark 6: It follows the official letter No. Shou Kong Zi 10800262940 issued by Investment Board, Ministry of Economic Affairs on February 26th, 2020. In order to obtain the certificate issued by Industrial Development Bureau, Ministry of Economic Affairs as the enterprise meeting the business scope of the headquarters, our company does not set up any limitation on investment amount.

Asia Polymer Corporation and the Subsidiaries

Significant transaction, price, payment term, unrealized profit or loss, and other relevant information directly or indirectly related to the investee company in Mainland China via a third area

January 1st to December 31st, 2020

Table 8

Unit: Unless it is otherwise specified, it shall be NT$ thousand

| Name of the investee company in Mainland China | Transaction subject | Amount | Percentage | Price | Transaction condition | | Accounts receivable (payable) | | Unrealized profit or loss | Remark |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Payment term | Comparison to the general trading | Amount | Ratio | | |
| USI Trading (Shanghai) Co., Ltd | Sales revenue | $ 63,613 | 1.12% | No significant difference | Payment collection within 90 days after sales | No significant difference | $ 12,462 | 1.68% | $ - | — |
| | Commission expenses | 804 | - | — | — | — | - | - | - | — |
| | Non-operating income and expense- rental income | 1,490 | - | — | — | — | - | - | - | — |
| | Management service fee | 124 | - | — | — | — | - | - | - | — |
| | Other payables to related parties | 990 | - | — | — | — | - | - | - | — |
| | Other receivables from related parties | 7,914 | - | — | — | — | - | - | - | — |

Remark: It shall be fully written off when preparing the consolidated financial statement.

Asia Polymer Corporation and the Subsidiaries

Information of main shareholders

December 31st, 2020

Table 9

| Name of the main shareholder | Shares | |
|---|---|---|
| | Number of shares held | Shareholding ratio |
| Union Polymer International Investment Corporation | 210,044,924 | 36.08% |

Remark: Information on major shareholders is calculated by Taiwan Depository & Clearing Corporation based on the last business day by the end of the quarter for the information on the common stock and special stock that have been completed non-physical registration and delivery (including treasury stock) in the company held by shareholders for more than 5% in total. The recorded capital stock in our consolidated financial statement might be different from the actual completed non-physical registration and delivery of shares due to different calculation basis for preparation.

# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Asia Polymer Corporation

**Opinion**

We have audited the accompanying financial statements of Asia Polymer Corporation (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.(collectively referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our audit of the financial statements for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Company's financial statements for the year ended December 31, 2020 are stated as follows:

**Revenue Recognition - Sales Revenue from Specific Customers**

The amount of sales revenue for the year ended December 31, 2020 was NT$5,514,958 thousand, which was approximately 16.16% lower than the sales revenue for the year ended December 31, 2019 of NT$6,578,064 thousand. Nevertheless, the sales revenue from specific customers has grown significantly compared to the average change trend of total sales revenue. Sales revenue from these specific customers was NT$2,316,082 thousand, which accounted for approximately 42.00% of net operating revenue.

Therefore, recognition of revenue from these specific customers has been identified as a key audit matter.

The audit procedures performed in response to the risk were as follows:

1. We obtained an understanding of the design and implementation of internal controls about these specific customers and tested if these controls were performed effectively. Such controls include credit assessments of customers, revenue recognition and receivables collection.

2. We sampled and inspected purchase orders from these specific customers, shipping confirmations and receivables collection receipts in order to verify the accuracy of sales revenue.

3. We reviewed sales returns and discounts recognized and the amounts received in subsequent periods to assess for any abnormalities.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and,

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche
Taipei, Taiwan, Republic of China

CPA, Cheng-Chun Chiu

Financial Supervisory Commission
Approved Document No. Chin Guan Cheng Liu Zi
No.0930160267

CPA, Hsiu-Chun Huang

Financial Supervisory Commission
Approved Document No. Tai Tsai Cheng Liu Zi
No.0920123784

March 16, 2021

**Notice to Readers:**

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ASIA POLYMER CORPORATION

Balance Sheet

December 31,2020 and 2019

(In Thousands of New Taiwan Dollars)

| Code | ASSETS | December 31,2020 Amount | % | December 31,2019 Amount | % |
|---|---|---|---|---|---|
| | Current assets | | | | |
| 1100 | Cash and cash equivalents (Note 4 and 6) | $ 274,142 | 2 | $ 587,400 | 4 |
| 1110 | Financial assets-at fair value through profit and loss - current (Note 4 and 7) | 1,007,300 | 6 | 2,585,296 | 15 |
| 1120 | Financial assets at fair value through other comprehensive income -current (Note 4 and 8) | 86,368 | - | 73,352 | - |
| 1170 | Accounts receivable (Notes4, 5 and 10) | 545,372 | 3 | 591,523 | 4 |
| 1180 | Accounts receivable - related parties (Note 4, 5, 10 and 28) | 209,875 | 1 | 184,772 | 1 |
| 1200 | Other receivables (Note 4) | 2,515 | - | 394 | - |
| 1210 | Other receivables-related parties (Note 4 and 28) | 1,965 | - | 3,977 | - |
| 130X | Inventories (Note 4, 5 and 11) | 294,846 | 2 | 349,206 | 2 |
| 1410 | Prepayment | 124,228 | 1 | 137,953 | 1 |
| 1470 | Other current assets | 110 | - | 110 | - |
| 11XX | Total current assets | 2,546,721 | 15 | 4,513,983 | 27 |
| | Non-current assets | | | | |
| 1517 | Financial assets at fair value through other comprehensive income - non-current (Note 4 and 8) | 3,252,937 | 19 | 2,288,615 | 14 |
| 1535 | Financial assets at amortised cost - non-current (Note 4 and 9) | 42,648 | - | - | - |
| 1550 | Investments accounted for using the equity method (Notes 4, 5, 11 and 28) | 7,162,418 | 43 | 6,191,020 | 37 |
| 1600 | Property, plant and equipment (Note 4 and 13) | 3,257,029 | 19 | 3,276,337 | 19 |
| 1755 | Right-of-use assets (Note 4 and 14) | 424 | - | - | - |
| 1760 | Investment properties (Note 4 and 15) | 450,619 | 3 | 458,262 | 3 |
| 1840 | Deferred tax assets (note 4 and 24) | 82,118 | 1 | 92,420 | - |
| 1990 | Other non-current assets (Note 4) | 22,183 | - | 35,531 | - |
| 15XX | Total non-current assets | 14,270,376 | 85 | 12,342,185 | 73 |
| 1XXX | Total assets | $ 16,817,097 | 100 | $ 16,856,168 | 100 |

| Code | LIABILITIES AND EQUITY | December 31,2020 Amount | % | December 31,2019 Amount | % |
|---|---|---|---|---|---|
| | Current liabilities | | | | |
| 2100 | Short-term borrowings (Note 16) | $ 700,000 | 4 | $ 1,100,000 | 6 |
| 2110 | Short-term notes and bills payable (Note 16) | - | - | 649,944 | 4 |
| 2120 | Financial liabilities at fair value through profit or loss - current (Note 4 and 7) | 3,912 | - | - | - |
| 2170 | Accounts payable (Note 17) | 238,363 | 2 | 134,278 | 1 |
| 2180 | Accounts payable - related parties (Note 17 and 28) | 15,630 | - | 15,667 | - |
| 2219 | Other accounts payable (Note 18) | 194,634 | 1 | 183,265 | 1 |
| 2220 | Other accounts payable-related parties (Note 28) | 49,982 | 1 | 166,705 | 1 |
| 2230 | Current income tax liabilities (Note 4 and 24) | 185,963 | 1 | 146,105 | 1 |
| 2280 | Lease liabilities - current (Note 4 and 14) | 5,981 | - | 5,496 | - |
| 2365 | Refund liabilities - current (Note 19) | 5,899 | - | 5,899 | - |
| 2399 | Other current liabilities (Note 22) | 29,874 | - | 12,479 | - |
| 21XX | Total current liabilities | 1,430,238 | 9 | 2,419,838 | 14 |
| | Non-current liabilities | | | | |
| 2540 | Long-term borrowings (Note 16) | 3,050,000 | 18 | 3,950,000 | 24 |
| 2570 | Deferred tax liabilities (Note 4 and 24) | 42,108 | - | 52,655 | - |
| 2580 | Lease liabilities - non-current (Note 4 and 14) | 18,946 | - | 24,501 | - |
| 2640 | Net defined benefit liabilities - non-current (Note 4 and 20) | 155,057 | 1 | 165,868 | 1 |
| 2670 | Other non-current liabilities | 11,203 | - | 13,486 | - |
| 25XX | Total non-current liabilities | 3,277,314 | 19 | 4,206,510 | 25 |
| 2XXX | Total liabilities | 4,707,552 | 28 | 6,626,348 | 39 |
| | EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 4, 8, 21 and 24) | | | | |
| | Share capital | | | | |
| 3110 | Ordinary shares | 5,821,018 | 35 | 5,543,827 | 33 |
| 3200 | Capital surplus | 33,272 | - | 24,400 | - |
| | Retained earnings | | | | |
| 3310 | Legal reserve | 1,798,210 | 11 | 1,713,152 | 10 |
| 3320 | Special reserve | 565,379 | 3 | 565,379 | 4 |
| 3350 | Unappropriated earnings | 2,890,180 | 17 | 2,507,082 | 15 |
| 3300 | Total retained earnings | 5,253,769 | 31 | 4,785,613 | 29 |
| 3400 | Other equity | 1,001,486 | 6 | ( 124,020 ) | ( 1 ) |
| 3XXX | Total equity | 12,109,545 | 72 | 10,229,820 | 61 |
| | Total liabilities and equity | $ 16,817,097 | 100 | $ 16,856,168 | 100 |

. The accompanying notes are an integral part of the financial statements.

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ASIA POLYMER CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| Code | | 2020 Amount | 2020 % | 2019 Amount | 2019 % |
|---|---|---|---|---|---|
| 4100 | Net sale revenue (Note 4, 22 and 28) | $ 5,514,958 | 100 | $ 6,578,064 | 100 |
| 5110 | Operating costs (Note 4, 11, 20, 23 and 28) | 4,405,880 | 80 | 5,560,296 | 85 |
| 5900 | Gross profit | 1,109,078 | 20 | 1,017,768 | 15 |
| | Operating expenses (Note 20, 23 and 28) | | | | |
| 6100 | Selling expenses | 87,575 | 2 | 108,585 | 1 |
| 6200 | Administrative expenses | 106,436 | 2 | 115,143 | 2 |
| 6300 | Research and development expenses | 5,424 | - | 5,126 | - |
| 6000 | Total operating expenses | 199,435 | 4 | 228,854 | 3 |
| 6900 | Net operating profit | 909,643 | 16 | 788,914 | 12 |
| | Non-operating income and expenses (Note 4, 12, 23 and 28) | | | | |
| 7100 | Interest income | 4,031 | - | 9,268 | - |
| 7010 | Other incomes | 158,029 | 3 | 139,952 | 2 |
| 7020 | Other gains and losses | 73,462 | 2 | 25,568 | 1 |
| 7510 | Interest expenses | ( 42,537 ) | ( 1 ) | ( 56,163 ) | ( 1 ) |
| 7060 | Share of profit of associates | 178,127 | 3 | 75,400 | 1 |
| 7000 | Total non-operating income and expenses | 371,112 | 7 | 194,025 | 3 |
| 7900 | Profit before income tax | 1,280,755 | 23 | 982,939 | 15 |
| 7950 | Income tax expenses (Note 4 and 24) | 177,168 | 3 | 161,918 | 3 |
| 8200 | Net profit for the year | 1,103,587 | 20 | 821,021 | 12 |

(Continued)

(Continued)

| Code | | 2020 Amount | 2020 % | 2019 Amount | 2019 % |
|---|---|---|---|---|---|
| | Other comprehensive income (Note 4, 12, 20, 21 and 24) | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss: | | | | |
| 8311 | Remeasurement of defined benefit plans | ($ 608 ) | - | $ 5,646 | - |
| 8316 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 1,011,472 | 18 | 99,195 | 2 |
| 8330 | Share of the other comprehensive income (loss) of associates accounted for using the equity method | 64,833 | 1 | 27,596 | - |
| 8349 | Income tax relating to items that will not be reclassified subsequently to profit or loss | ( 3,332 ) | - | ( 60 ) | - |
| | | 1,072,365 | 19 | 132,377 | 2 |
| 8360 | Items that may be reclassified subsequently to profit or loss: | | | | |
| 8361 | Exchange differences on translating foreign operations | 41,058 | 1 | ( 192,308 ) | ( 3 ) |
| 8380 | Share of the other comprehensive income (loss) of associates accounted for using the equity method | ( 5,315 ) | - | ( 8,821 ) | - |
| 8399 | Income tax relating to items that may be reclassified subsequently to profit or loss | ( 8,212 ) | - | 38,462 | 1 |
| | | 27,531 | 1 | ( 162,667 ) | ( 2 ) |
| 8300 | Other comprehensive loss for the year(net of income tax) | 1,099,896 | 20 | ( 30,290 ) | - |

(Continued)

(Continued)

| Code | | 2020 Amount | 2020 % | 2019 Amount | 2019 % |
|---|---|---|---|---|---|
| 8500 | Total comprehensive income for the year | $ 2,203,483 | 40 | $ 790,731 | 12 |
| | Earning per share (Note 25) | | | | |
| 9710 | Basic | $ 1.90 | | $ 1.41 | |
| 9810 | Diluted | $ 1.89 | | $ 1.41 | |

The accompanying notes are an integral part of the financial statements.

(Concluded)

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ASIA POLYMER CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

| | | Equity Attributable to Owners of the Company (Note 4, 8, 20 and 23) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share Capital | | | Retained earnings | | | Other equity items | | |
| Code | | Share (In Thousands) | Ordinary Share | Capital Surplus | Legal Reserve | Special reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Total equity |
| A1 | Balance at January 1, 2019 | 554,382 | $ 5,543,827 | $ 19,619 | $ 1,684,469 | $ 565,379 | $ 1,851,499 | ($ 59,292) | ($ 1,065) | $ 9,604,436 |
| A3 | Effect of retrospective application | - | - | - | - | - | (855) | - | - | (855) |
| A5 | Balance at January 1, 2019 as restated | 554,382 | 5,543,827 | 19,619 | 1,684,469 | 565,379 | 1,850,644 | (59,292) | (1,065) | 9,603,581 |
| | Appropriation of the 2018 earnings | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 28,683 | - | (28,683) | - | - | - |
| B5 | Cash dividends distributed | - | - | - | - | - | (166,315) | - | - | (166,315) |
| C3 | Reclassification of past dividends to capital surplus | - | - | 3,087 | - | - | - | - | - | 3,087 |
| C7 | Changes in capital surplus from investments in associates accounted for using the equity method | - | - | 1,694 | - | - | 24,779 | - | (27,737) | (1,264) |
| D1 | Net profit for the year ended December 31, 2019 | - | - | - | - | - | 821,021 | - | - | 821,021 |
| D3 | Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax | - | - | - | - | - | 4,063 | (162,667) | 128,314 | (30,290) |
| D5 | Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | - | 825,084 | (162,667) | 128,314 | 790,731 |
| Q1 | Disposals of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | - | 1,573 | - | (1,573) | - |
| Z1 | Balance at December 31, 2019 | 554,382 | 5,543,827 | 24,400 | 1,713,152 | 565,379 | 2,507,082 | (221,959) | 97,939 | 10,229,820 |
| | Appropriation of the 2019 earnings | | | | | | | | | |
| B1 | Legal reserve | - | - | - | 85,058 | - | (85,058) | - | - | - |
| B5 | Cash dividends distributed | - | - | - | - | - | (332,630) | - | - | (332,630) |
| B9 | Share dividends distributed | 27,719 | 277,191 | - | - | - | (277,191) | - | - | - |
| C3 | Reclassification of past dividends to capital surplus | - | - | 901 | - | - | - | - | - | 901 |
| C7 | Changes in capital surplus from investments in associates accounted for using the equity method | - | - | 7,971 | - | - | (26,873) | - | 26,873 | 7,971 |
| D1 | Net profit for the year ended December 31, 2020 | - | - | - | - | - | 1,103,587 | - | - | 1,103,587 |
| D3 | Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | - | 1,263 | 27,531 | 1,071,102 | 1,099,896 |
| D5 | Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | - | 1,104,850 | 27,531 | 1,071,102 | 2,203,483 |
| Z1 | Balance at December 31, 2020 | 582,101 | $ 5,821,018 | $ 33,272 | $ 1,798,210 | $ 565,379 | $ 2,890,180 | ($ 194,428) | $ 1,195,914 | $ 12,109,545 |

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ASIA POLYMER CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

| Code | | 2020 | 2019 |
|---|---|---|---|
| | Cash flow from operating activities | | |
| A10000 | Income before income tax | $ 1,280,755 | $ 982,939 |
| A20010 | Adjustments for: | | |
| A20100 | Depreciation expense | 312,201 | 301,610 |
| A20200 | Amortization expense | 35 | 35 |
| A20400 | Net loss (gain) on financial assets or liabilities at fair value through profit or loss | ( 88) | ( 43,051) |
| A20900 | Interest expenses | 42,537 | 56,163 |
| A21200 | Interest income | ( 4,031) | ( 9,268) |
| A21300 | Dividend income | ( 103,685) | ( 82,778) |
| A22400 | Share of profit of associates | ( 178,127) | ( 75,400) |
| A23200 | Loss (gain) on disposal of investments accounted for using equity method | 527 | - |
| A23800 | Reversal of write-down of inventories | ( 408) | ( 4,039) |
| A24100 | Net loss (gain) on foreign currency exchange | ( 2,813) | 4,534 |
| A30000 | Changes in operating assets and liabilities | | |
| A31115 | Financial assets mandatorily classified as at fair value through profit or loss | 1,581,996 | ( 993,789) |
| A31130 | Notes receivable | - | 472 |
| A31150 | Accounts receivable | 48,844 | 115,232 |
| A31160 | Accounts receivable-related parties | ( 24,998) | ( 11,270) |
| A31180 | Other receivables | ( 2,388) | ( 32) |
| A31190 | Other receivables-related parties | 2,012 | ( 1,740) |
| A31200 | Inventories | 54,768 | 406,364 |
| A31230 | Prepayments | 13,725 | ( 10,410) |
| A32110 | Financial liabilities held for trading | - | ( 2,074) |
| A32150 | Accounts payable | 104,085 | ( 122,962) |
| A32160 | Accounts payable-related parties | 24 | ( 7,570) |
| A32180 | Other payables | 12,940 | 47,509 |
| A32190 | Other payables-related parties | ( 116,769) | 38,806 |
| A32230 | Other current liabilities | 14,195 | ( 5,823) |
| A32240 | Net defined benefit liabilities | ( 11,420) | ( 37,156) |
| A33000 | Cash inflow generated from operations | 3,023,917 | 546,302 |
| A33100 | Interest received | 4,298 | 9,028 |
| A33300 | Interest paid | ( 43,096) | ( 55,801) |
| A33500 | Income tax paid | ( 149,099) | ( 19,238) |

(Continued)

(Continued)

| Code | | 2020 | 2019 |
|---|---|---|---|
| AAAA | Net cash inflow from operating activities | 2,836,020 | 480,291 |
| | Cash flow from investing activities | | |
| B00040 | Acquisition of financial assets at amortised cost - non-current | 5,141 | - |
| B00020 | Proceeds from sale of financial assets at fair value through other comprehensive income - current | - | 2,389 |
| B00030 | Capital reduction of financial assets at fair value through other comprehensive income | 34,135 | 18,066 |
| B01800 | Acquisition of associates | ( 783,964) | ( 1,280,719) |
| B02400 | Capital reduction and liquidation return of the invested company at equity | 23,896 | - |
| B02700 | Purchase of property, plant and equipment | ( 284,827) | ( 67,422) |
| B09900 | Decrease (increase) in other non -current assets | 13,313 | ( 31,618) |
| B07600 | Dividends received | 130,713 | 147,428 |
| BBBB | Net cash outflow from investment activities | ( 861,593) | ( 1,211,876) |
| | Cash flow from financing activities | | |
| C00100 | Decrease in short-term borrowings | ( 400,000) | ( 250,000) |
| C00600 | Increase (decrease) in short term bills payable | ( 650,000) | 50,000 |
| C01600 | Proceeds from long-term borrowings | 5,400,000 | 12,500,000 |
| C01700 | Repayments of long-term borrowings | ( 6,300,000) | ( 11,650,000) |
| C03100 | Decrease in guarantee deposits received | 3,200 | - |
| C04020 | Repayment of the principal portion of lease liabilities | ( 5,917) | ( 5,864) |
| C04300 | Increase (decrease) in other non-current liabilities | ( 2,283) | 1,198 |
| C04500 | Dividends paid | ( 332,685) | ( 166,340) |
| CCCC | Net cash inflow (outflow) of financing activities | ( 2,287,685) | 478,994 |
| EEEE | Net decrease in cash and cash equivalents | ( 313,258) | ( 252,591) |
| E00100 | Cash and cash equivalents at the beginning of the year | 587,400 | 839,991 |
| E00200 | Cash and cash equivalents at the end of the year | $ 274,142 | $ 587,400 |

The accompanying notes are an integral part of the financial statements. (Concluded)

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ASIA POLYMER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

i. History of the Company

Asia Polymer Corporation (hereinafter referred to as "the Company") was established in January 1977, engaged in the manufacture and sale of low density polyethylene (LDPE), and ethylene vinyl acetate copolymer (EVA).

The Company's shares are listed on the Taiwan Stock Exchange. As of December 31, 2020, USI Corporation (USI), the ultimate parent company, indirectly holds 36.08% of the Company's common shares.

The functional currency of the Company is the New Taiwan dollar, and the financial statements of the Company are presented in the Company's functional currency.

ii. Date and Procedure of Adoption of Financial Statements

The financial statements were approved by the Board of Directors on March 5, 2021.

iii. Application of New Standards and Interpretations

1 For the first time, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretation Committee (SIC) (hereinafter referred to as "IFRSs") approved and issued by the Financial Supervisory Commission (FSC) were applied.

The application of the amended IFRSs approved and issued by the FSC shall not result in a material change in the accounting policies of the Company.

2 IFRSs approved by FSC as applicable in 2021

| New issued/revised/amended standards and interpretations | Effective date of IASB publication |
|---|---|
| Amendment to IFRS 4 “Extension of Temporary Exemption for Application of IFRS 9” | Effective from the date of issue |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - “Reform of Interest Rate Indicators - Stage 2” | Effective during the annual reporting period commencing on January 1, 2021 |
| Amendment of IFRS 16 “COVID-19 Related Rent Reduction” | Effective during the annual reporting period commencing on June 1, 2020 |

3 IFRSs issued by IASB but not yet approved by FSC

| New issued/revised/amended standards and interpretations | Effective date of IASB release (Note 1) |
|---|---|
| “Annual Improvement for the 2018-2020 Cycle” | January 1, 2022 (Note 2) |
| Amendment to IFRS 3 “Updating Index to Conceptual Framework” | January 1, 2022 (Note 3) |
| Amendments to IFRS 10 and IAS 28 “Sale or Investment of Assets between Investors and Their associatess or Joint Ventures” | Undecided |
| IFRS 17 “Insurance Contracts” | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendment to IAS 1 “Classification of Liabilities as Current or Non-current” | January 1, 2023 |
| Amendment to IAS 1 “Disclosure of Accounting Policies” | January 1, 2023 (Not 6) |
| Amendments to IAS 8 “Definitions of Accounting Estimates” | January 1, 2023 (Not 7) |
| Amendments to IAS 16 “Property, Plant and Equipment: Value before Intended Use” | January 1, 2022 (Note 4) |
| Amendment to IAS 37 “Loss-making Contracts - Cost of Performance” | January 1, 2022 (Note 5) |

Note 1: Unless otherwise noted, the above new issued/revised/amended standards or interpretations shall take effect during the annual reporting period commencing from each of those dates.

Note 2: The amendments to IFRS 9 applies to the exchange of financial liabilities or the modification of the terms incurred during the reporting period commencing on 1 January 2022;The amendments to IAS 41 “Agriculture” apply to the measurement of fair value during the reporting period commencing on 1 January 2022;The amendments to IFRS 1 “First Adoption of

IFRSS" apply retroactively to the annual reporting period commencing on 1 January 2022.

Note 3: This amendment applies to mergers with the acquisition date during the annual reporting period commencing on January 1, 2022.

Note 4: This amendment applies to plant, property, and equipment in such locations and conditions as are necessary to operate in the manner expected by management after 1 January 2021.

Note 5: This amendment applies to contracts in which all obligations have not been performed on 1 January 2022.

Note 6: This amendment applies to the deferral of annual reporting periods commencing on 1 January 2023.

Note 7: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the reporting period commencing on 1 January 2023.

As of the approval and release date of the financial statements, the Company continues to evaluate the impact of the revision of other criteria and interpretations on the financial status and financial performance, and the relevant impact will be disclosed when the evaluation is completed.

(1). Amendment to IAS 1 "Disclosure of Accounting Policies"

This amendment provides that the Company shall determine the material accounting policy information to be disclosed according to the definition of material. Accounting policy information shall be deemed as material to the extent that it can reasonably be expected to influence the decisions made by major users of general-purpose financial statements on the basis of such financial statements. This amendment clarifies:

- Accounting policy information relating to non-material transactions, other matters or circumstances shall be deemed as non-material and the Company is not required to disclose such information.

- The Company may judge the relevant accounting policy information to be material, even if the amount is not material, due to the nature of the transaction, other matters or circumstances.
- Not all the information of accounting policy related to major transactions, other matters or situations shall be significant.

In addition, the amendment provides an example of how accounting policy information may be material if it is related to material transactions, other matters or circumstances and if:

1) The Company changes its accounting policies during the reporting period and the change results in a material change in the financial statements;
2) The Company selects its applicable accounting policies from among the options permitted by the IFRSs;
3) Accounting policies established by the Company in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" due to the absence of specific standards;
4) The Company discloses the relevant accounting policies determined by the Company under material judgments or assumptions; or
5) Accounting policy information that involves complex accounting rules and on which users of financial statements depend to understand such material transactions, other matters or circumstances.

2. IAS 8 - Amendments to "Definitions of Accounting Estimates"

The revision specifies that accounting estimate refers to the currency amount in the financial statement affected by uncertainty of measurement. When using the applicable accounting policy, the consolidated company might need to evaluate the items in the financial statement with the currency amount that is not able to be observed directly but could only be estimated. Therefore, evaluating technology and input value shall be used to establish accounting estimate in order to achieve the purpose. If the impact on the accounting estimate caused by the change of evaluating technology or input value is not from the correction of prior period error, the change shall be regarded as the change of accounting estimate.

iv. Summary of Significant Accounting Policies

1 Statement to compliance

The financial statements have been prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers

2 Basis of preparation

Except for financial instruments at fair value and net definite benefit liability recognized at present value of definite benefit obligation minus fair value of planned assets, the financial statements are prepared on a historical-cost basis.

The measurement of fair value is divided into Levels 1 to 3 according to the observability and importance of the relevant input values:

(1). Level 1 input value: It refers to the quotations (unadjusted) of the same assets or liabilities available at active markets on the measurement date

(2). Level 2 input value: It refers to the observable input value of an asset or liability, either directly (i.e.,as prices) or indirectly (i.e., derived from prices), other than the quoted price at Level 1.

(3). Level 3 input value: It refers to the unobservable input value of an asset or liability.

In the preparation of financial statements, the Company adopts the equity method to deal with the investment in subsidiaries or associatess. To make the profit and loss of the current period and other comprehensive income and interests in the financial statements the same as the profit and loss of the current year and other comprehensive income and interests attributable to the owner of the Company in the financial statements of the Company, some accounting differences between the individual basis and the consolidated basis are solved by adjusting related equity items, including “investments accounted for using the equity method", "the share of profit or loss of subsidiaries and associates" and "the share of other comprehensive income of subsidiaries and associates and the related equity items"

3 The standard for distinguishing current and non-current assets and liabilities

The current assets include:

(1). The assets held mainly for the purpose of trading;

(2). Assets expected to be realized within 12 months after the balance sheet date; and

(3). Cash and cash equivalents (excluding those restricted for the exchange or settlement of liabilities more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held mainly for the purpose of trading;
2. Liabilities that are due to be paid off within 12 months after the balance sheet date (even if a long-term refinancing or rescheduling agreement has been completed between the balance sheet date and the date of the publication of the financial statement), and
3. Liabilities that cannot be unconditionally deferred to at least 12 months after the balance sheet date. The classification shall not be affected, however, if the terms of liabilities may, at the option of the counterparty, result in the settlement of an equity instrument issued.

Those that are not classified as the foregoing current assets or liabilities are non-current assets or liabilities.

4 Foreign currency

When the Company prepares financial statements, transactions in currencies (foreign currencies) other than the Company's functional currency shall be converted into functional currency according to the exchange rate on the trading day for recording.

Monetary items in foreign currency are converted at the closing rate on each balance sheet date. Exchange differences arising from delivery of monetary items or conversion of monetary items are recognized in profit or loss in the current period.

Non-monetary items in foreign currency at fair value are converted at the exchange rate on the day when the fair value is determined, and the exchange difference arising therefrom is included in the current profit and loss, except that if the change in fair value is included in other comprehensive profit and loss, the exchange difference arising therefrom is included in other comprehensive profit and loss.

Non-monetary items in foreign currency at historical cost are converted at the exchange rate of the trading day and are not re-converted.

For the preparation of Financial Statements, the assets and liabilities of foreign operating institutions (including subsidiaries, associates or branches in countries where they operate or in currencies different from the Company's) are converted into NT dollars at the exchange rate on each balance sheet date. Income and expense loss items are converted at the average exchange rate of the current period, and the conversion difference generated is listed in other comprehensive profit and loss.

If the rights and interests retained after the Company disposes of all interests in a foreign operating entity, or disposes of some interests in a subsidiary of a foreign operating entity with loss of control, or disposes of a joint agreement of a foreign operating entity or an associatess are financial assets and dealt with the accounting policy of financial instrument, all accumulated exchange differences related to the foreign operating entity will be reclassified to profit and loss.

If partial disposal of subsidiaries of foreign operating entity does not result in loss of control, the accumulated exchange difference will be incorporated into equity transactions on a pro rata basis and will not be recognized as profit or loss. In the case of any other part of the disposal of the foreign operating entity, the accumulated exchange difference will be reclassified to profit and loss proportionately.

5 Inventories

Inventories includes raw materials, supplies, semi-finished goods and finished goods. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventory cost is calculated by the weighted average method.

6 Investments accounted for using the equity method

The Company adopts the equity method for investments in subsidiaries and associates..

(1). Investment in subsidiaries

Subsidiary means an entity under the control of the Company.

Under the equity method, the original investment is recognized according to the cost, and the subsequent book amount will be increased or decreased according to the Company's share of the profits and losses of subsidiaries and other comprehensive income and the distribution of profits. In addition, changes in the Company's other interests in the subsidiaries are presented according to the shareholding ratio.

When the change of ownership and equity of the company in the subsidiary does not result in the loss of control, it shall be treated as an equity transaction. The difference between the carrying amount of an investment and the fair value of the consideration paid or received is directly recognized as equity.

When the Company's share of the loss to the subsidiaries is equal to or exceeds its interest in the subsidiaries (including the book amount of the subsidiaries under the equity method and other long-term interests which are substantially part of the Company's net investment in the subsidiaries), the Company shall continue to recognize the loss on a shareholding basis.

The amount of the acquisition cost in excess of the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries constituting the business on the acquisition date is classified as goodwill, which is included in the carrying amount of the investment and is not amortized; The Company's share of the net fair value of the subsidiary's identifiable assets and liabilities constituting the business on the acquisition date exceeding the acquisition cost is recognized as income for the current period.

The Company evaluates the impairment by considering the cash generating units as a whole and comparing their recoverable amount to the carrying amount in the financial statements. If the recoverable amount of the asset increases later, the reversal of the impairment loss shall be recognized as an interest, provided that the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount which should have been deducted from the amortized carrying amount of the asset without the recognition of the impairment loss. Impairment loss attributable to goodwill shall not be reversed in subsequent periods.

In the event of loss of control over the subsidiary, the Company measures the remaining investment in the former subsidiary according to the fair value on the day of loss of control, and the difference between the fair value of the remaining investment and any disposal price on the day of loss of control and the carrying amount of the investment on the day of loss of control is included in the profit and loss of the current period. In addition, all amounts recognized in other comprehensive income relating to the subsidiary will be accounted for on the same basis as the Company's direct disposal of the relevant assets or liabilities.

Unrealized profits and losses from downstream transactions between the Company and its subsidiaries are written off in individual financial statements. The profits and losses arising from the counter-current and side-current transactions between the Company and its subsidiaries shall be recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

(2). Investment in associates

An associate refers to an enterprise which has a significant influence on the Company but is not a subsidiary or joint venture equity.

The Company uses the equity method to account for its investments in associates.Under the equity method, the original value of the associate subject to investment is recognized at the cost, and the book amount after the acquisition will increase or decrease with the Company’s share of the profits and losses, other comprehensive income as well as the profit distribution of associate. In addition, changes in the equity of associate are recognized according to the shareholding ratio.

The amount of the acquisition cost in excess of the Company’s share of the net fair value of the identifiable assets and liabilities of the associate on the acquisition date is classified as goodwill, which is included in the carrying amount of the investment and is not amortized; The Company’s share of the net fair value of the associate’ identifiable assets and liabilities on the acquisition date exceeding the acquisition cost is recognized as income for the current period.

When an associate issues new shares, if the Company fails to subscribe in proportion to its shareholding ratio, resulting in a change in the shareholding ratio and a consequent increase or decrease in the net equity invested, the increase or decrease shall be adjusted to the capital reserves - the change in the net equity of the associate and the investment at equity. However, if the ownership and equity in the associate is reduced due to the failure to subscribe or acquire the shares in proportion, the amount recognized in other comprehensive income related to the associate is reclassified according to the reduction proportion, and the accounting treatment is based on the same basis that the associate must follow if it directly disposes related assets or liabilities; If the capital reserves to be debited for the adjustment mentioned in the preceding paragraph are insufficient and the balance of the capital reserves resulting from the investment at equity is insufficient, the balance shall be debited to the retained surplus.

When the share of the Company's loss in the associate equals or exceeds its interest in the associate (including the carrying amount of the investment in the associate at equity and other long-term interests that are substantially part of the Company's net investment in the associate), further loss recognition shall be discontinued. The Company recognizes additional losses and liabilities only to the extent that statutory obligations, constructive obligations or payments have been made on behalf of associate.

The Company evaluates the impairment by treating the total carrying amount of the investment (including goodwill) as the single comparative recoverable amount and carrying amount of the investment, and conducts the impairment test. The recognized impairment loss shall not be apportion to any assets that form part of the carrying amount of the investment. Any reversal of the impairment loss shall be recognized to the extent of any subsequent increase in the recoverable amount of the investment.

The Company ceases to use the equity method on the date when it ceases to invest in the associate, and its retained interest in the original associate. is measured at its fair value, and the difference between the fair value and the disposal price and the carrying amount of the investment on the date when the equity method is stopped is included in the profit and loss of the current period. In addition, all amounts recognized in other comprehensive income related to the associate, shall be accounted for on the same basis as if the associate. were to directly dispose of the related assets or liabilities.

The profits and losses arising from the counter-current and side-current transactions between the Company and its associatess shall be recognized in the Company's financial statements only to the extent that the Company has no interest in its associatess.

7 Property, plant and equipment

Property, plant and equipment are recognized at cost and subsequently measured at cost minus accumulated depreciation and impairment losses.

All property, plant and equipment under construction shall be recognized at the cost minus the accumulated impairment loss. Costs include fees for professional services and borrowing costs eligible for capitalization. Upon completion and in the intended state of use, such assets shall be classified into the appropriate classes of property, plant and equipment and shall be recognized as depreciation.

Except for self-owned land which is not depreciated, other immovable property, plant and equipment are depreciated separately on a straight-line basis over their service life for each significant part.The Company reviews the estimated service life, residual value and depreciation method at least at the end of each year and delays the application of the effects of changes in accounting estimates.

When property, plant and equipment are excluded, the difference between the net disposal price and the carrying amount of such assets is recognized as profit and loss.

8 Investment properties

Investment properties are properties held for the purpose of earning rent or capital appreciation or both (including tenure assets that meet the definition of property for investment). Property for investment also includes land currently held for undetermined future use.

The self-owned property for investment is measured at initial cost (including transaction cost) and subsequently at cost minus accumulated depreciation and accumulated impairment loss.

Property for investment acquired by lease shall be measured at initial cost, and subsequently at cost after deducting accumulated depreciation and accumulated impairment losses, and the remeasured amount of lease liabilities shall be adjusted.

All property for investment is depreciated on a straight-line basis.

When the property for investment is excluded, the difference between the net disposal price and the carrying amount of the asset is recognized as profit and loss.

9 Intangible assets

(1). Acquired separately

Intangible assets of limited service life acquired separately are measured at cost in the initial form, and the subsequent form is measured at cost minus accumulated amortization and accumulated impairment losses. If intangible assets are amortized on a straight-line basis over their service life, the Company shall examine the estimated service life, residual value and amortization method at least at the end of each year and defer the impact of changes in accounting estimates.

Intangible assets without definite service life are presented at cost minus accumulated impairment loss.

(2). Excluded

When intangible assets are excluded, the difference between the net disposal price and the carrying amount of the asset is recognized as the profit and loss of the current period.

10 Impairment of property, plant and equipment, Right-of-use assets, intangible assets and contractual cost

At each balance sheet date, the Company assesses whether there is any indication that immovable property, plant and equipment, Right-to-use assets and intangible assets may have been impaired. If any indication of impairment exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Shared assets are apportioned among individual cash generating units on a reasonably consistent basis.

For intangible assets with uncertain service life and not yet available for use, the impairment test shall be conducted at least annually and when there is evidence of impairment.

The recoverable amount is the higher of the fair value minus the cost of sale and its use value. If the recoverable amount of an individual asset or cash generating unit is lower than its carrying amount, the carrying amount of the asset or cash generating unit shall be reduced to its recoverable amount, and the impairment loss shall be recognized as profit and loss.

For the inventory recognized in the customer contract, firstly, the impairment is recognized according to the provisions of inventory impairment; secondly, the carrying amount of the assets related to the contractual cost exceeds the consideration expected to be received for providing the relevant goods or services, and the remaining amount after deducting the directly related costs is recognized as impairment loss and finally, the carrying amount of the assets related to the contractual cost shall be included to the cash generating unit for the impairment assessment of the cash generating unit.

In the event of a subsequent reversal of the impairment loss, the carrying amount of the asset, cash generating unit or contractual cost related asset is adjusted to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (deducting amortization or depreciation) determined if the impairment loss of the related asset, cash generating unit or contractual cost had not been recognized in previous years. The reversal of the impairment loss is recognized as profit and loss.

11 Financial instruments

The financial assets and financial liabilities are recognized on the individual balance sheet when the Company becomes a party to the terms of the instrument.

When the financial assets or financial liabilities are initially recognized, if the financial asset or financial liability is not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss are immediately recognized as profit or loss.

(1). Financial assets

Conventional transactions of financial assets are recognized and excluded on the trading day.

1) Measurement type

The types of financial assets held by the Company are financial assets at fair value through profit and loss, financial assets at amortized cost, and investments in equity instrument at fair value through other comprehensive income.

A. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets include fair value through other comprehensive income. Fair value through other comprehensive income includes investments in equity instrument that the Company has not specified to be measured at fair value through other comprehensive income, and derivatives and fund benefit certificates that do not qualify as measured at amortized cost or measured at fair value through other comprehensive income.

Financial assets at fair value through profit and loss are measured at fair value. Dividends and interest accrued are classified as other income and interest income respectively, and profits or losses accrued from further measurement are classified as other benefits and losses. For the determination of fair value, please refer to Note 27.

B. Financial assets at amortized cost

Financial assets invested by the Company are classified as financial assets at amortized cost if they meet the following two conditions:

a. Held under a business model for the purpose of collecting contractual cash flows; and

b. The cash flows deriving from the contract terms on the specific date are solely for the payment of principal and interest on the outstanding principal amount.

After initial recognition, financial assets (including cash and cash equivalents, accounts receivable at amortized cost and other receivables) at amortized cost are measured as the amortized cost of the total book amount determined by the effective interest method deducting any impairment loss, and any profits or losses on foreign exchange are recognized as profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total book amount of the financial asset, except in the following two cases:

a. For the credit impairment of financial assets purchased or initiated, interest income is calculated by multiplying the effective interest rate after credit adjustment by the cost after amortization of financial assets.
b. For financial assets that are not credit impairment acquired or initiated, but subsequently become credit impairment, the interest income shall be calculated by multiplying the effective interest rate by the amortized cost of the financial asset from the next reporting period after the impairment.

Credit impairment of financial assets refer to the fact that the issuer or the debtor has experienced major financial difficulties, breach of contract, the debtor is likely to claim bankruptcy or other financial restructuring, or the active market of financial assets disappears due to financial difficulties.

Cash equivalents consist of high-liquid time deposits that can be readily converted into fixed cash with little risk of change in value and putable bond to meet short-term cash commitments.

C. Investments in equity instruments at fair value through other comprehensive income.

At the time of the initial recognition, the Company may, as an irrevocable option, designate investments in equity instruments which are not held for trade and which are not recognized as contingent consideration by the merger acquirer to be measured at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes in fair value are reported in other comprehensive income and accumulated in other interests. At the time of investment disposal, accumulated profits and losses are transferred directly to retained earnings and are not reclassified as profit and loss.

The dividends of the Company's right to receive from shares invested in equity instruments at fair value through other comprehensive income is recognized in the profit and loss at the time of establishment, unless the dividend clearly represents the recovery of part of the investment cost.

2) Impairment of financial assets

On each balance sheet date, the Company evaluates the expected credit loss impairment of financial assets (including accounts receivable) as measured at amortized cost.

Accounts receivable shall be recognized as an allowance for expected credit losses during the period of existence. For other financial assets, the Company first evaluates whether the credit risk has significantly increased since the initial recognition. If it has not, the Company will recognize the allowance for loss based on the expected credit loss of 12 months; if it has significantly increased, the Company will recognize the allowance for loss based on the expected credit loss during the period of existence.

Expected credit loss is a weighted average credit loss weighted by the risk of default. The 12-month expected credit loss refers to the expected credit loss due to the probable default of the financial instrument within 12 months after the reporting date, while the expected credit loss over the life period represents the expected credit loss due to all the probable defaults of the financial instrument during the expected life period.

For the purposes of internal credit risk management, the Company, without regard to the collateral it holds, determines that the following circumstances represent a default of financial assets:

A. There is internal or external information indicating that it is impossible for the debtor to repay the debt.

B. In the event of a delay, the default baseline is more appropriate unless reasonably verifiable information is available to justify the delay.

The impairment loss on all financial assets is the reduction of the carrying amount of the allowance account.

3) Exclusion of financial assets

The Company will exclude a financial asset only when contractual rights to the cash flow from the financial asset have lapsed or the financial asset has been transferred and virtually all the risks and rewards of ownership of the asset have been transferred to another enterprise.

When a financial asset at amortized cost is excluded as a whole, the difference between its carrying amount and the sum of any accumulated profit or loss that has been recognized as other comprehensive income, plus any consideration received, is recognized as profit and loss. When the investment in equity instrument at fair value through other comprehensive income is excluded, the accumulated profit and loss will be directly transferred to retained earnings and not re-classified as profit and loss.

(2). Financial liabilities

1) Subsequent measurement

All financial liabilities are measured on an effective interest basis at amortized cost, except in the following cases:

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are held for trading.

The financial liabilities held for trading are measured at fair value and the related profits and losses are recognized as other profit and loss.

For the determination of fair value, please refer to Note 27.

2) Exclusion of financial liabilities

In the exclusion of financial liabilities, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized as profit and loss.

(3). Derivatives financial instruments

Derivatives financial instruments entered into by the Company are forward foreign exchange contracts to manage the Company's interest rate and foreign exchange risk.

In signing a derivative contract, the derivative is initially recognized at its fair value and subsequently measured at its fair value on the balance sheet date. The profit or loss arising from the subsequent measurement is directly included in the profit and loss. However, the time point when a derivative designated as an effective hedging instrument is recognized in the profit and loss will depend on the nature of the hedging relationship. When the fair value of a derivative is positive, it is classified as a financial asset. When the fair value is negative, it is classified as a financial liability.

If derivatives are embedded in the asset master contract within the scope of IFRS9 “Financial Instruments”, the classification of financial assets is determined by the overall contract. If a derivative is embedded in a non-IFRS 9 asset master contract (e.g. embedded in a financial liability master contract), and if the embedded derivative meets the definition of derivative, its risks and characteristics are not closely related to the risks and characteristics of the master contract, and the mixed contract is not measured at fair value, the derivative is deemed as a separate derivative.

12 Revenue recognition

After the performance obligations are identified in the customer contract, the Company allocates the transaction price among the performance obligations and recognizes the income when the performance obligations are met.

Sale of goods

The income from commodity sales comes from the manufacturing and sales of LDPE and EVA. Since the customer has the right to set the price and use the goods when the aforesaid goods are shipped or arrived at the place designated by the customer, and has the main responsibility for resale, and bears the risk of obsolescence of the goods, the Company recognizes revenue and accounts receivable at that time.

13 Lease

On the date of contract establishment, the Company assesses whether the Contract is a lease (or includes it).

1) The Company as lessor

A financing lease is classified when the terms of the lease transfer to the lessee virtually all of the risks and rewards attached to the ownership of the asset. All other leases are classified as business lease.

When the Company subleases the Right-to-use assets, it is the Right-to-use assets (not the underlying assets) that are used to determine the classification of the subleases. The sublease is classified as a business lease if the principal lease is a short-term lease for which the Company applies the waiver of recognition.

Under a business lease, lease payments excluding lease incentives are recognized as income on a straight-line basis during the relevant lease term. The original direct costs arising from the acquisition of the business lease are included to the book amount of the underlying asset and are recognized as expenses on a straight-line basis during the lease term.

2) The Company as lessee

Except for the lease of the low-value underlying asset for which the recognition exemption is applicable and the lease payment of the short-term lease is recognized as expense during the lease term on a straight-line basis, the right-of-use assets and lease liabilities of all other leases are recognized on the commencement date.

The right-of-use assets are initially measured at cost (including the original measurement amount of the lease liability, the lease payment paid before the beginning of the lease less the lease incentive received, the original direct cost and the estimated cost of the underlying asset), and subsequently measured at cost minus accumulated depreciation and accumulated impairment loss, and the remeasured amount of lease liabilities is adjusted. The right-to-use assets are expressed separately in the individual balance sheet unless they meet the definition of property for investment. Please refer to 8 the accounting policy of property for investment for the identification and measurement of the right-of-use assets that conform to the definition of property for investment.

The right asset is depreciated on a straight-line basis from the commencement date of the lease to the expiration of its service life or the expiration of the lease term, whichever is earlier.

Lease liabilities are initially measured in terms of the present value of lease payments. If the implied interest rate of the lease is easy to determine, the lease payment is discounted by the interest rate. If the interest rate is not easy to determine, the increased borrowing rate of the lessee is used.

Subsequently, the lease liability is measured on an amortized cost basis adopting the effective interest method and the interest expense is apportioned over the lease term. Lease liabilities are presented separately on individual balance sheets.

14 Employee benefits

(1). Short-term employee benefits

Liabilities related to short-term employee benefits are measured as non-discounted amounts expected to be paid in exchange for employee services.

(2). Retirement benefits

The determination of pension contributions to a retirement scheme is the recognition of the amount of pension contributions as expenses during the period of service provided by the employee.

The defined benefit costs (including service costs, net interests and re-measurement amounts) of defined benefit retirement plan is calculated according to projected unit credit method. Service costs and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expenses at the time of occurrence. The remeasured amount (including actuarial profit and loss and return on planned assets after deducting interest) shall be recognized as other comprehensive profit and loss and included in retained earnings at the time of occurrence, and shall not be reclassified to profit and loss in subsequent periods.

Net defined benefit liabilities (assets) are contribution shortfalls (surplus) of defined benefit retirement plan. Net defined benefit assets shall not exceed the present value of refunded or reduced future contributions from the plan.

15 Taxation

Income tax expense refers to the sum of current income tax and deferred tax.

(1). Current tax

The Company shall calculate the income tax payable in accordance with the laws and regulations of the Republic of China.

The additional income tax on undistributed earnings calculated in accordance with the income tax law of the Republic of China shall be recognized in the year of the resolution of the shareholder' meeting.

The adjustment of tax payable in previous years shall be included in the current tax.

(2). Deferred tax

Deferred tax is calculated on the basis of the temporary difference between the carrying amount of assets and liabilities and the tax basis on which taxable income is calculated.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized when taxable assets are likely to be available for deductible temporary differences.

Taxable temporary differences related to investment in subsidiaries and associatess are recognized as deferred tax liabilities, except where the company can control the timing of reversal of the temporary differences and it is highly likely that such temporary differences will not be reversed in the foreseeable future. Temporary differences in relation to such investments are deductible only to the extent that there is a high likelihood that there will be sufficient taxable income to realize the temporary differences and that the return is expected in the foreseeable future.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and is reduced for those who are no longer likely to have sufficient taxable income to recover all or part of their assets. Assets not previously recognized as deferred tax assets are reviewed on each balance sheet date, and the carrying amount will be increased if it is likely to generate taxable income in the future for the recovery of all or part of the assets.

Deferred tax assets and liabilities are measured by the tax rate of the current period when the expected liabilities are paid off or the assets are realized. The tax rate is based on the tax rate and tax law that have been enacted or substantively enacted on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the manner in which the Company is expected to recover or pay off the carrying amounts of its assets and liabilities on the balance sheet date.

(3). Current and deferred tax

Current and deferred taxes are recognized in profit and loss, while the current and deferred income taxes related to items recognized in other comprehensive income or directly recognized in equity are recognized in other comprehensive income or directly recognized in equity, respectively.

v. Major Sources of Uncertainty in Significant Accounting Judgments, Estimates and Assumptions

Management must make relevant judgments, estimates and assumptions based on historical experience and other relevant factors when the Company adopts accounting policies for information not readily available from other sources. Actual results may differ from estimates.

The company takes the economic impact of COVID-19's epidemic into account of material accounting estimates, and management will continue to review the estimates and basic assumptions. If the revision of the estimate affects only the current period, it will be recognized in the current period of revision; If the revision of accounting estimates affects both the current and future periods, it will be recognized in the current period of revision and future periods.

Main sources of uncertainty in estimates and assumptions

1 Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the Company's assumptions about the default rate and the expected loss rate. The Company takes into account historical experience, current market conditions and forward-looking information to make assumptions and select the input value of the impairment assessment. Please refer to Note 9 for the important assumptions and input values. If actual cash flows in the future are less than expected, there may be a significant impairment loss.

2 Write-down of inventories

The net realized value of inventories is the estimated selling price in the ordinary course of business after deducting the estimated costs to be incurred for completion and the estimated costs to be incurred for completion of sales. Such estimates are based on current market conditions and historical sales experience of similar products. Changes in market conditions may materially affect these estimates.

3 Estimation of compensation for damage caused by gas explosion event of associates

In the event of civil damages due to gas explosion of associates, China General Terminal & Distribution Corporation, the management authority recognizes the liability provision, taking into account the progress of criminal proceedings and settlement, and taking into account legal advice to estimate the amount of the liability provision, but the actual result may be different from the current estimate.

vi. Explanation of Important Accounting Items

6. Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Cash on hand and petty cash | $ 179 | $ 170 |
| Bank checks and current deposits | 24,490 | 31,576 |
| Cash equivalents | | |
| Time deposits | 249,473 | 544,654 |
| Reverse repurchase agreements collateralized by bonds | - | 11,000 |
| | $ 274,142 | $ 587,400 |

The range of market interest rates for time deposits and reverse repurchase agreements collateralized by bonds on the balance sheet date is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Time deposits | 0.07%~1.90% | 0.56%~2.58% |
| Reverse repurchase agreements collateralized by bonds | - | 0.60% |

7. Financial instruments at fair value through profit or loss - current

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets - current | | |
| Derivatives at fair value through other comprehensive income (no hedge designated) | | |
| －forward foreign exchange contract | $ - | $ 94 |
| Non-derivative financial assets | | |
| －Domestic listed (OTC) stocks | 175,885 | 123,179 |
| －Mutual funds | 831,415 | 2,462,023 |
| Subtotal | 1,007,300 | 2,585,202 |
| | $ 1,007,300 | $ 2,585,296 |
| Financial liabilities-current | | |
| Held for trading | | |
| Derivatives (no hedge designated) | | |
| －forward foreign exchange contract | $ 3,912 | $ - |

In 2020 and 2019, the Company generated a net profit of NT$104,863 thousand and NT$58,647 thousand from financial assets and liabilities at fair value through profit and loss, respectively.

Unmatured forward foreign exchange contracts not subject to hedge accounting on the balance sheet date are as follows:

December 31, 2020

| | Currency | Time to Maturity | Contract Amount (In Thousands) |
|---|---|---|---|
| Forward exchange sold | RMB / NTD | January 5, 2021 to April 1, 2021 | RMB77,660/NTD333,460 |

December 31, 2019

| | Currency | Time to Maturity | Contract Amount (In Thousands) |
|---|---|---|---|
| Forward exchange sold | USD / NTD | January 13, 2020 to February 5, 2020 | USD 1,730/NTD 52,503 |
| Forward exchange sold | RMB / NTD | January 6, 2020 to March 30, 2020 | RMB 72,000/NTD 309,065 |

The Company's forward foreign exchange transactions is mainly for avoiding the risk of foreign currency assets and liabilities arising from exchange rate fluctuations. The forward foreign exchange contracts held by the Company are not qualified for the effective hedging conditions, so hedging accounting is not applicable.

8. Financial assets at fair value through other comprehensive income

Investment in equity instrument at fair value through other comprehensive income

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current | | |
| Domestic investment | | |
| Listed (OTC) stocks | $ 86,368 | $ 73,352 |
| Non-current | | |
| Domestic investment | | |
| Listed (OTC) stocks | $ 2,977,139 | $ 2,050,839 |
| Non-listed (OTC) stocks | 275,798 | 237,776 |
| | $ 3,252,937 | $ 2,288,615 |

The Company invests in domestic common stocks for medium - and long-term strategic purposes and expects to earn profits from these investments over the long term. The management of the Company insists that the inclusion of short-term fluctuations in the fair value of such investments in the profit and loss is inconsistent with the foregoing long-term investment plan, and therefore chooses to designate such investments as measured at fair value through other comprehensive income.

The invested companies KHL IB Venture Capital Co., Ltd. and Riselink Venture Capital Corp. handled cash reduction and refund of share proceeds in August, December and September 2020, respectively, and the Company recovered a total of NT$ 34,135 thousand according to the proportion of shares held.

In March and May 2019, the Company adjusted the investment position to spread risks and sold part of common shares of CTCI Corporation and the unrealized earnings of NT$ 1573 thousand arising from relevant other equity-financial assets at fair value through other comprehensive income are transferred to retained earnings.

The invested companies, Harbinger Venture Capital Corp., KHL IB Venture Capital Co., Ltd. and Riselink Venture Capital Corp. handled cash reduction and refund of share proceeds in January, May and September, respectively, and the Company recovered a total of NT$18,066 thousand according to the proportion of shares held.

9. Financial assets at amortized cost

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Non-current | | |
| Restricted bank deposits | $ 42,648 | $ - |

The restricted bank deposits are the earnings repatriation of USI International Corporation and the Ministry of Economic Affairs has approved the application of the Company’s application for the application of Regulations Governing Investment Industry with Repatriated Offshore Funds.

10. Accounts receivable

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Accounts receivable | | |
| Total carrying amount at amortized cost | $ 547,372 | $ 593,523 |
| Minus: allowance for loss | ( 2,000) | ( 2,000) |
| | $ 545,372 | $ 591,523 |
| Accounts receivable-related parties (Note 28) | $ 209,875 | $ 184,772 |

Accounts receivable

Accounts receivable at amortized cost

The average credit period of the Company for merchandise sales is about 15 days to 90 days. Due to the short credit period, no interest will be accrued on accounts receivable.

To mitigate credit risk, the management of the Company assigns a dedicated team responsible for the decision of credit duration, credit approval and other monitoring procedures to ensure that appropriate actions are taken for the collection of overdue receivables. In addition, the Company will review the recoverable amounts of receivables on a case-by-case basis on the balance sheet date to ensure that appropriate impairment losses have been provided for unrecoverable receivables. Accordingly, the management of the Company believes that the credit risk of the Company has been significantly mitigated.

The Company recognizes the allowance for losses on accounts receivable on the basis of expected credit losses over the life period. Expected credit losses over the life period are calculated with the reserve matrix, which examines and weighs the customer's past default record and current financial and industrial economic positions.

The allowance loss of accounts receivable measured at reserve matrix is as follows:

December 31, 2020

| | Not overdue | 1-60 days | 61-90 days | Total |
|---|---|---|---|---|
| Total carrying amount | $ 757,247 | $ - | $ - | $ 757,247 |
| Allowance for loss (expected credit loss during life period) | ( 2,000) | - | - | ( 2,000) |
| Amortized cost | $ 755,247 | $ - | $ - | $ 755,247 |

December 31, 2019

| | Not overdue | 1-60 days | 61-90 days | Total |
|---|---|---|---|---|
| Total carrying amount | $ 778,295 | $ - | $ - | $ 778,295 |
| Allowance for loss (expected credit loss during life period) | ( 2,000) | - | - | ( 2,000) |
| Amortized cost | $ 776,295 | $ - | $ - | $ 776,295 |

The above analysis is based on the overdue date.-

The changes of allowance for loss of accounts receivable are as follows:

| | 2020 | 2019 |
|---|---|---|
| Balance at January 1 | $ 2,000 | $ 2,000 |
| Add: reclassification this year | - | - |
| Balance at December 31 | $ 2,000 | $ 2,000 |

11. Inventory

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Finished products | $ 158,254 | $ 263,012 |
| Semi-finished products | 19,347 | 22,665 |
| Raw materials | 82,790 | 18,826 |
| Supplies | 34,455 | 44,703 |
| | $ 294,846 | $ 349,206 |

Inventory-related cost of goods sold for 2020 and 2019 is NT$4,405,880 thousand and NT$5,560,296 thousand, respectively.The cost of goods sold for the years 2020 and 2019 includes the net realized value of inventory recovery of NT$408 thousand and NT$4,039 thousand, respectively. The recovery of net realized value of inventory is because of the rise of the selling price of inventory in the market.

12. Investment at equity

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Investment in subsidiaries | $ 712,918 | $ 719,952 |
| Investment in associatess | 6,449,500 | 5,471,068 |
| | $ 7,162,418 | $ 6,191,020 |

(1) Investment in subsidiaries

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Non-listed (OTC) companies | | |
| APC (BVI) Holding Co., Ltd. | $ 517,012 | $ 491,974 |
| APC Investment Co., Ltd. | 132,491 | 95,236 |
| USI International Corp. | 63,415 | 132,742 |
| | $ 712,918 | $ 719,952 |

The Company's ownership equity and voting percentage in the subsidiaries as of the Balance Sheet Date are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| APC (BVI) Holding Co., Ltd. | 100% | 100% |
| APC Investment Co., Ltd. | 100% | 100% |
| USI International Corp. | 70% | 70% |

In November 2020, the subsidiary USI International Corp. handled cash reduction and refund of share proceeds and the Company recovered a total of NT$ 20,020 thousand according to the proportion of shares held.

The shares of profit and loss at equity and other comprehensive income at equity of the subsidiary in 2020 and 2019 are recognized on the basis of financial statements of each subsidiary audited by CPA for the same period.

In order to meet the business needs, the Company has been approved by the resolution of Board of Directors on August 12, 2020 to establish a joint venture sales company through APC (BVI) and Swanlake Traders Ltd., the subsidiary of USI Corporation. The capital is expected to be RMB$ 300,000 thousand and the Company's shareholding ratio is expected to be 30%.

(2) Investment in associates

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Associatess with great significance | | |
| Ever Conquest Global Ltd. | $ 5,066,945 | $ 4,265,335 |
| Associatess with non-great significance | | |
| Listed (OTC) companies | | |
| China General Plastics Corporation (CGPC) | 782,997 | 665,776 |
| Acme Electronics Corporation (ACME) | 42,939 | 41,454 |
| Non-listed (OTC) companies | | |
| China General Terminal & Distribution Corporation (CGTD) | 315,711 | 257,584 |
| Swanson Plastics Corporation (SPC) | 206,857 | 198,065 |
| Taiwan United Venture Capital Corp. (TUVC) | 21,472 | 20,142 |
| Thintec Materials Corporation (TMC) | - | 4,399 |
| USI Optronics Corporation (USIO) | 12,579 | 18,313 |
| | $ 6,449,500 | $ 5,471,068 |

1). Associatess with great significance

| Company name | Nature of business | Main premises | Proportion of shares held and voting rights: December 31, 2020 | Proportion of shares held and voting rights: December 31, 2019 |
|---|---|---|---|---|
| Ever Conquest Global Ltd. | Reinvestment business | BVI | 40.87% | 36.89% |

The foregoing associatess are measured at equity by the Company.

The following summary financial information is prepared on the basis of financial statements subject to IFRSs of each associates, which has depicted the adjustments when the equity method is adopted.

Ever Conquest Global Ltd.

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Non-current assets | $ 12,398,597 | $ 11,563,685 |
| Equity | $ 12,398,597 | $ 11,563,685 |
| Shareholding ratio of the Company | 40.87% | 36.89% |
| Equity enjoyed by the Company | $ 5,066,945 | $ 4,265,335 |
| Carrying amount of the investment | $ 5,066,945 | $ 4,265,335 |

Ever Conquest Global Ltd. did not generate significant operating revenue for years 2020 and 2019.

| | 2020 | 2019 |
|---|---|---|
| The share of the Company | | |
| Loss t of the year | ($ 44,058) | ($ 10,228) |
| Other comprehensive income(loss) | 53,761 | ( 174,072) |
| Total comprehensive loss for the year | ($ 9,703) | ($ 184,300) |

2). Summary of subsidiaries and associatess not with great significance

| | 2020 | 2018 |
|---|---|---|
| The share of the Company | | |
| Net profit of the year | $ 222,185 | $ 85,628 |
| Other comprehensive income | 46,815 | 539 |
| Total comprehensive income for the year | $ 269,000 | $ 86,167 |

The ownership equity and voting right of the Company to the associatess on the balance sheet date are as follows:

| Company name | December 31, 2020 | December 31, 2019 |
|---|---|---|
| CGPC | 8.07% | 8.07% |
| ACME | 3.31% | 3.31% |
| CGTD | 33.33% | 33.33% |
| SPC | 7.95% | 7.95% |
| TUVC | 8.33% | 8.33% |
| TMC | - | 30.42% |
| USIO | 9.20% | 9.20% |

Please refer to Attached Form 5 “Information of Invested Company, Location and Other Relevant Information” and Attached Form 6 “Information of Investment in Mainland China” for the business nature, main business premises and country of incorporation of the aforesaid associatess.

Due to the fact that TMC has no substantial production and sales business in recent years, the Board of Directors of TMC resolved on April 12, 2019 to handle dissolution and liquidation starting from May 25, 2019 (dissolution date), and has completed dissolution and liquidation procedures on July 22, 2020, and recognized the disposition of investment loss of NT$527 thousand.

Although the Company’s shareholding ratio in the invested companies, i.e. CGPC, ACME, SPC, TUVC and USIO is lower than 20%, these companies are still evaluated at equity due to their great significance.

The Company and USI originally signed the Joint Venture Agreement for Investment in Fujian Gulei Petrochemical Co. Ltd on April 17, 2014. However, due to the demand for increased capital, the new Joint Venture Agreement was signed on September 30, 2016. Ever Conquest Global Ltd. is a joint venture between the Company and USI to invest in the joint venture through the third region. As of December 31, 2020, the Company and USI have invested US $170,475 thousand (approximately NT $5,255,588 thousand) and US $246,670 thousand (approximately NT $7,645,980 thousand) respectively in Ever Conquest Global Ltd. Please refer to Note 29 for relevant information.

The market price information of the listed (OTC) company's equity investment on the balance sheet date calculated according to the closing price of stock is as follows:

| Company name | December 31, 2020 | December 31, 2019 |
|---|---|---|
| CGPC | $ 1,136,432 | $ 884,565 |
| ACME | $ 114,470 | $ 74,194 |

For the profit and loss of associatess at equity and the share of other comprehensive income, except that ACME failed to calculate them for year2020 according to the financial statements audited by CPA, the rest are recognized according to the financial reports audited by accountants in the same period. However, the management of the merged company believes that ACME's financial statements for the year 2020, which was not reviewed by CPAs will not have a material impact.

13. Property, plant and equipment

| | Self-owned land | Housing and improvements | Machinery equipment | Other equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance as of January 1, 2019 | $ 228,229 | $ 774,313 | $6,293,396 | $ 96,115 | $ 126,879 | $7,518,932 |
| Increase | - | - | 27,797 | - | 39,625 | 67,422 |
| Disposal | - | - | ( 55,739 ) | ( 983 ) | - | ( 56,722 ) |
| Internal transfer | - | 3,922 | 88,484 | 893 | ( 93,299 ) | - |
| Balance as of December 31, 2019 | $ 228,229 | $ 778,235 | $6,353,938 | $ 96,025 | $ 73,205 | $7,529,632 |
| Accumulated depreciation | | | | | | |
| Balance as of January 1, 2019 | $ - | $ 259,702 | $3,678,096 | $ 78,674 | $ - | $4,016,472 |
| Depreciation expenses | - | 22,296 | 266,346 | 4,903 | - | 293,545 |
| Disposal | - | - | ( 55,739 ) | ( 983 ) | - | ( 56,722 ) |
| Balance as of December 31, 2019 | $ - | $ 281,998 | $3,888,703 | $ 82,594 | $ - | $4,253,295 |
| Net amount as of December 31, 2019 | $ 228,229 | $ 496,237 | $2,465,235 | $ 13,431 | $ 73,205 | $3,276,337 |
| Cost | | | | | | |
| Balance as of January 1, 2020 | $ 228,229 | $ 778,235 | $6,353,938 | $ 96,025 | $ 73,205 | $7,529,632 |
| Increase | - | - | 26,163 | - | 258,664 | 284,827 |
| Disposal | - | - | ( 42,008 ) | ( 53 ) | - | ( 42,061 ) |
| Internal transfer | - | 580 | 87,134 | 823 | ( 88,537 ) | - |
| Balance as of December 31, 2020 | $ 228,229 | $ 778,815 | $6,425,227 | $ 96,795 | $ 243,332 | $7,772,398 |
| Accumulated depreciation | | | | | | |
| Balance as of January 1, 2020 | $ - | $ 281,998 | $3,888,703 | $ 82,594 | $ - | $4,253,295 |
| Depreciation expenses | - | 21,537 | 278,282 | 4,316 | - | 304,135 |
| Disposal | - | - | ( 42,008 ) | ( 53 ) | - | ( 42,061 ) |
| Balance as of December 31, 2020 | $ - | $ 303,535 | $4,124,977 | $ 86,857 | $ - | $4,515,369 |
| Net amount as of December 31, 2020 | $ 228,229 | $ 475,280 | $2,300,250 | $ 9,938 | $ 243,332 | $3,257,029 |

There are no signs of impairment assessed for 2020 and 2019.

Property, plant and equipment is depreciated on a straight-line basis according to the following years of service:

| | |
|---|---|
| Building and improvements | |
| Factories, machine rooms and improvements thereof | 15 to 40 years |
| Office buildings, laboratories and improvements thereof | 10 to 40 years |
| Warehouse building | 11 to 45 years |
| Engineering system | 35 to 40 years |
| Others | 2 to 20 years |
| Machinery equipment | 3 to 22 years |
| Other equipment | 3 to 10 years |

In order to support the relocation of petrochemical storage facilities by Taiwan International Ports Corporation, Ltd. (TIPC) in the old port area, China General Terminal & Distribution Corporation (CGTD) leases the terminal facilities and back-line lands of Phase II Petrochemical Oil Storage and Transportation Center of Kaohsiung Port Container Center, with the lease term from August 1, 2017 to July 31, 2042. The rent will be paid quarterly. In addition, the Board of Directors of the Company approved the construction of the Intercontinental Phase II Petrochemical Oil Products Center in 2019, and signed a contract with CTCI Corporation on October 7, 2019, with a total investment price of NT$765,893 thousand. As of December 31, 2020, the Company has paid the project amount of NT$211,724 thousand, which is listed under the construction in progress.

14. Lease agreement

(1) Right-to-use assets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Carrying amount of right-of-use assets | | |
| Transportation equipment | $ 424 | $ - |

| | 2020 | 2019 |
|---|---|---|
| Increase of right- of -use assets | $ 847 | $ - |
| Depreciation expenses of right- of -use assets | | |
| Transportation equipment | $ 423 | $ 421 |

Besides, the office in Taipei leased by the Company is sublet to other company for business. The relevant right-to-use assets are recognized as property for investment. Please refer to Note 15 "Property for Investment". The amount related to the foregoing right-of -use assets excludes the right-of-use assets that conform to the definition of property for investment.

(2) Lease liabilities

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Carrying amount of lease liabilities | | |
| Current | $ 5,981 | $ 5,496 |
| Non-current | $ 18,946 | $ 24,501 |

The discount rate range of lease liabilities is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Transportation equipment | 1.06% | - |
| Buildings | 1.06% | 1.06% |

(3) Other lease information

| | 2020 | 2019 |
|---|---|---|
| Short-term lease expenses | $ 3,774 | $ 3,375 |
| Total cash (outflow) of the lease | ($ 9,989) | ($ 9,590) |

The Company elects to apply the exemption of recognition to buildings eligible for short-term leases and does not recognize the relevant right-to-use assets and lease liabilities for such leases.

15. Investment properties

| | Land | Building and improvements | Right-of-use assets | Total |
|---|---|---|---|---|
| Cost | | | | |
| Balance as of January 1, 2019 | $ 370,202 | $ 131,690 | $ - | $ 501,892 |
| Retrospective effect of applicable IFRS 16 | - | - | 34,585 | 34,585 |
| Balance as of January 1, 2019 (after re-preparation) | 370,202 | 131,690 | 34,585 | 536,477 |
| Balance as of December 31, 2019 | $ 370,202 | $ 131,690 | $ 34,585 | $ 536,477 |
| Accumulated depreciation | | | | |
| Balance as of January 1, 2019 | $ - | $ 70,571 | $ - | $ 70,571 |
| Depreciation expenses | - | 2,183 | 5,461 | 7,644 |

(continued)

| | | | | |
|---|---|---|---|---|
| Balance as of December 31, 2019 | $ - | $ 72,754 | $ 5,461 | $ 78,215 |
| Net amount as of December 31, 2019 | $ 370,202 | $ 58,936 | $ 29,124 | $ 458,262 |
| Cost | | | | |
| Balance as of January 1, 2020 | $ 370,202 | $ 131,690 | $ 34,585 | $ 536,477 |
| Balance as of December 31, 2020 | $ 370,202 | $ 131,690 | $ 34,585 | $ 536,477 |
| Accumulated depreciation | | | | |
| Balance as of January 1, 2020 | $ - | $ 72,754 | $ 5,461 | $ 78,215 |
| Depreciation expenses | - | 2,183 | 5,460 | 7,643 |
| Balance as of December 31, 2020 | $ - | $ 74,937 | $ 10,921 | $ 85,858 |
| Net amount as of December 31, 2020 | $ 370,202 | $ 56,753 | $ 23,664 | $ 450,619 |

The right-of -use assets in property for investment is the sublease of the office leased by the Company for business and lease purpose.

The lease term of property for investment is 5 years. The lessee does not have the preferential right to take over the property for investment at the end of the lease term.

As of December 31, 2020, the total amount of lease payments to be received in the future for the leasing of property for investment for business and lease purpose is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| First year | $ 15,910 | $ 5,688 |
| Second year | 15,547 | 4,599 |
| Third year | 15,547 | 4,599 |
| Fourth year | 11,188 | 4,599 |
| Fifth year | 932 | 240 |
| | $ 59,124 | $ 19,725 |

Except for the recognition of depreciation expense, there is no significant addition, disposal or impairment of the property for investment of the merged company from January 1 to December 31, 2019 and 2020. Property for investment is depreciated on a straight-line basis according to the following years of service:

| | |
|---|---|
| Buildings and improvements thereof | |
| Main buildings and improvements thereof | 5 to 50 years |
| Right-of-use assets | 6 years |

The fair value for the land, investment properties located in Linyuan Industrial Park cannot be reliably determined since this section is an industrial land with few comparable market trading information and little reliable alternative fair value estimates.

Besides, the investment properties, such as the land (excluding that located in Linyuan Industrial Park), housing and improvements thereof are with fair value of NT$ 1,136,629 thousand measured on December 31, 2020. The fair value has not been evaluated by an independent evaluator and is only measured by the Company's management applying the Grade 3 input value of the evaluation model commonly used by market participants. The evaluation is based on the transaction price of similar property in the adjacent area. The fair value of the Company’s property for investment as at December 31, 2020 will increase or decrease by NT$113,663 thousand when the transaction price of the adjacent area per ping increases or decreases by 10%.

The fair value of the right-to-use asset is estimated by the expected rental income deducting the net payment of all expected payments, plus the recognized the relevant lease liabilities. The fair value as of December 31, 2020 is NT$ 61,968 thousand.

16. BORROWINGS

(1) Short-term borrowings

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Unsecured borrowing | | |
| Bank loan | $ 700,000 | $ 1,100,000 |

The interest rates for revolving bank loans are 0.80%-0.82% and 0.90%-0.97% as at 31 December 2019 and 2020, respectively.

(2) Short-term bills payable (December 31, 2020: none)

| | December 31, 2019 |
|---|---|
| Commercial paper payable | $ 650,000 |
| Less: Discount of short-term bills payable | ( 56) |
| | $ 649,944 |
| Interest rate range | 0.50%-0.77% |

(3) Long-term borrowing

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Unsecured borrowing | $ 3,050,000 | $ 3,950,000 |
| Interest rate range | 0.89%-0.95% | 1.00%-1.06% |

In order to ensure the sufficiency of the medium and long term working capital, the Company signs medium- and long-term credit contracts with banks, with each line of credit totaling NT$5,950,000 thousand. The term of the credit contracts shall expire successively before October 2023, and the total line of credit shall be recycled within the term of the contract. As of December 31, 2020, NT$3,050,000 thousand has been utilized.

The current ratio and liability ratio of some of the Company's borrowings shall not be lower than the specified ratio in the financial statements. In case of any discrepancy, the Company shall report to the bank for improvement measures.

As of December 31, 2020, the Company has no violations of the above rates.

17. Accounts payable

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Accounts payable (including related parties) | | |
| Arising from operation | $ 253,993 | $ 149,945 |

The average credit period for accounts payable is one month.The Company has stipulated a financial risk management policy to ensure that all payments due are repaid within the agreed credit period.

18. Other payables

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Other payables | | |
| Payables for salaries and bonuses | $ 91,546 | $ 77,464 |
| Payables for utilities | 37,093 | 35,655 |
| Payables on paid leave | 13,517 | 13,983 |
| Payables on freight | 12,099 | 9,079 |
| Payables for dividends | 5,699 | 5,527 |
| Payables for equipment | 5,694 | 5,025 |
| Payables for insurance | 1,953 | 4,108 |
| Others | 27,033 | 32,424 |
| | $ 194,634 | $ 183,265 |

19. Refund liabilities - current

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Return and allowance | $ 5,899 | $ 5,899 |

The product returns and allowance that the Company estimates may occur are recognized as refund liabilities in accordance with IFRS 15.

20. Post-retirement benefits plan

(1) Defined contribution plans

The pension system under Labor Pension Act that the Company applies is the defined-contribution retirement scheme administered by the government, which set asides 6% of the employee's monthly salary to the individual account of the Labor Insurance Bureau.

(2) Defined benefit plan

The Company's pension system under the Labor Standards Act is a defined-benefit retirement plan administered by the government. The pension payment of an employee is calculated on the basis of his/her length of service and the average salary of the six months prior to the approved retirement date. For the years of 2020 and 2019, the Company will allocate 10% of the employee's gross monthly salary as the pension fund, which will be deposited into a special account of the Bank of Taiwan in the name of the Labor Retirement Reserve Supervisory Committee. The special account is entrusted to the management of the Bureau of Labor Funds, the Ministry of Labor, and the Company has no right to influence the investment management strategy.

The amount of the defined benefit plan included in the individual's balance sheet is listed as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Present value of defined benefit obligations | $ 373,108 | $ 406,749 |
| Fair value of planned assets | ( 218,051) | ( 240,881) |
| Net defined benefit liabilities | $ 155,057 | $ 165,868 |

The changes on net defined benefit liabilities (assets) are as follows:

| | Present value of defined benefit obligations | Fair value of planned assets | Net defined benefit liabilities (Assets) |
|---|---|---|---|
| Balance as of January 1, 2019 | $ 418,170 | ($ 209,500) | $ 208,670 |
| Service cost | | | |
| Current service cost | 3,950 | - | 3,950 |
| Interest expense (income) | 3,576 | ( 1,794) | 1,782 |
| Recognized as profit or loss | 7,526 | ( 1,794) | 5,732 |
| Remeasurement | | | |
| Remuneration for planned assets (except for the amount included in net interest) | - | ( 8,173) | ( 8,173) |
| Actuarial loss - change in financial assumptions | 6,820 | - | 6,820 |
| Actuarial loss - experience adjustment | ( 4,293) | - | ( 4,293) |
| Recognized in other comprehensive income | 2,527 | ( 8,173) | ( 5,646) |
| Contributions from the employer | ( 2,128) | ( 40,760) | ( 42,888) |
| Benefit payment | ( 19,346) | 19,346 | - |
| Balance as of December 31, 2019 | $ 406,749 | ($ 240,881) | $ 165,868 |

(Continued)

(Continued)

| | Present value of defined benefit obligations | Fair value of planned assets | Net defined benefit liabilities (Assets) |
|---|---|---|---|
| Balance as of January 1, 2020 | $ 406,749 | ($ 240,881) | $ 165,868 |
| Service cost | | | |
| Current service cost | 3,276 | - | 3,276 |
| Interest expense (income) | 2,436 | ( 1,524) | 912 |
| Recognized as profit or loss | 5,712 | ( 1,524) | 4,188 |
| Remeasurement | | | |
| Remuneration for planned assets (except for the amount included in net interest) | - | ( 7,953) | ( 7,953) |
| Actuarial loss - change in financial assumptions | 6,091 | - | 6,091 |
| Actuarial loss - experience adjustment | 2,470 | - | 2,470 |
| Recognized in other comprehensive income | 8,561 | ( 7,953) | 608 |
| Contributions from the employer | - | ( 15,607) | ( 15,607) |
| Benefit payment | ( 47,914) | 47,914 | - |
| Balance as of December 31, 2020 | $ 373,108 | ($ 218,051) | $ 155,057 |

The Company is exposed to the following risks as a result of the pension system under the *Labor Standards Act*:

1). Investment risk: the Bureau of labor funds, the Ministry of labor, invests the labor pension fund in the subject matters, such as domestic (foreign) equity securities, debt securities and bank deposits respectively through its own use and entrusted operation. However, the amount of planned assets allocated by the company is calculated based on the interest rate of 2-year fixed deposit of the local bank.

2). Interest rate risk: the decrease of interest rate on corporate bonds will increase the present value of the defined benefit obligations, but the return on the debt investment of the planned assets will also increase, both of which will partially offset the effect of the net defined welfare liabilities.

3). Salary risk: the present value of the benefit obligations is determined by reference to the future salary of the planned member. Thus an increase in the salary of a planned member will increase the present value of the defined benefit obligations.

The present value of the Company's defined benefit obligations is calculated on an actuarial manner by a qualified actuary. The major assumptions of the measurement date are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Discount rate | 0.38% | 0.63% |
| Expected salary increase rate | 2.25% | 2.25% |

If the material actuarial assumptions are reasonably possible to change separately, the amount that would increase (decrease) the present value of the defined benefit obligation if all other assumptions remain unchanged is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Discount rate | | |
| Increase by 0.25% | ($ 6,091) | ($ 6,820) |
| Decrease by 0.25% | $ 6,257 | $ 7,012 |
| Expected salary increase rate | | |
| Increase by 0.25% | $ 6,032 | $ 6,775 |
| Decrease by 0.25% | ($ 5,904) | ($ 6,625) |

Since the actuarial assumptions may be interrelated, the single assumption is unlikely to occur, therefore, the above sensitivity analysis may not reflect the actual changes in the present value of the defined benefit obligation.

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Expected amount to be allocated within 1 year | $ 50,000 | $ 40,000 |
| Average maturity of defined benefit obligation | 6.7 years | 6.9 years |

21. Equity

(1) Ordinary shares

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Number of shares authorized (in thousands) | 620,000 | 620,000 |
| Shares authorized | $ 6,200,000 | $ 6,200,000 |
| Number of issued and fully paid shares (1,000 shares) | 582,101 | 554,382 |
| Shares issued | $ 5,821,018 | $ 5,543,827 |

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and carry a right to dividends.

On June 12, 2020, the regular shareholders' meeting resolved to issue new shares of 27,719 thousand with a value of NT$10 per share by distributing shareholders' dividends to increase capital. The paid-up capital was NT$5,821,018 thousand after the capital increase. The above plan for free allocation of new shares has been approved and declared effective by the Securities and Futures Bureau of the Financial Supervisory Commission on July 2, 2020, and the Board of Directors has decided that July 29, 2020 is the base date for capital increase.

(2) Capital surplus

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Unclaimed dividends | $ 22,313 | $ 21,412 |
| Changes in capital surplus of associatess recognized at equity | 10,959 | 2,988 |
| | $ 33,272 | $ 24,400 |

Capital surplus which arises from the consideration received from issuance of shares (including consideration from issuance of ordinary shares) and donations may be used to offset a deficit, in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or share dividends up to a certain percentage of the Company's paid-in capital.

The capital surplus arising from by the shareholder's failure to receive the dividend due to the expiration of the time limit can only cover the losses; the capital surplus arising from the investment at equity shall not be used for any purpose.

(3) Retained earnings and dividends policy

In accordance with the provisions of the earnings distribution policy of the Articles of Association of the Company, if there is an after tax surplus in the annual accounts of the Company, the loss of previous years shall be covered first. If there is still any remaining surplus, it shall be regarded as distributable surplus of the current year after the allocation of 10% of the statutory surplus reserve, and shall be regarded as cumulative distributable surplus together with the accumulated undistributed surplus of the previous year and the remaining balance after the special surplus reserve has been withdrawn or reverted as required by law or the competent authority. The Board of Directors shall, after drawing up a case for the distribution of earnings, submit it to the shareholders' meeting for resolution in accordance with the prescribed procedures, and the shareholders' meeting may Please refer to Note 23 (7) of the Company's Articles of Association for the remuneration policy for employees and directors retain all or part of the earnings in light of the business conditions.

When the Company decides to distribute the earnings, the shareholders' dividends shall not be less than 10% of the distributable earnings of the current year, and the cash dividends shall not be less than 10% of the total dividends, because the Company's industries are in the mature stage and in order to take into account the R&D needs and diversified operations. However, if the annual distributable earnings per share is less than NT$0.1, it may not be distributed.

The statutory surplus reserves shall be held until the balance reaches the total paid-up stock capital of the Company. The statutory surplus reserves may be used to cover losses. If the Company has no loss, the portion of statutory surplus reserves exceeding 25% of the total paid-in share capital may be allocated as stock capital and distributed in cash.

The Company has withdrawn and reverted the special surplus reserves in accordance with the provisions of the Jin Guan Zheng Fa Zi No. 1010012865 and the Q & A on the application of the special surplus reserves after the adoption of the International Financial Reporting Standards (IFRSs).

The Company held its regular shareholders' meeting on June 12, 2020 and June 24, 2019, and resolved to pass the following earnings distribution plan for the year 2019 and 2018, respectively:

| | 2019 | 2018 |
|---|---|---|
| Legal reserve | $ 85,058 | $ 28,683 |
| Cash dividends | $ 332,630 | $ 166,315 |
| Share dividends | $ 277,191 | $ - |
| Cash dividend per Share (NT$) | $ 0.6 | $ 0.3 |
| Share dividends per share (NT$) | $ 0.5 | $ - |

The Company's Board of Directors proposed the following annual earnings distribution plan for 2020 on March 5, 2021:

| | 2020 |
|---|---|
| Legal reserve | $ 107,798 |
| Cash dividends | $ 698,522 |
| Share dividends | $ 116,420 |
| Cash dividend per Share (NT$) | $ 1.2 |
| Share dividends per share (NT$) | $ 0.2 |

The earnings distribution plan for the year 2020 is yet to be decided by the regular shareholders' meeting expected to be held on June 11, 2021.

(4) Other equity items

1). Exchange differences on translating the financial statements of foreign operations

| | 2020 | 2019 |
|---|---|---|
| Balance at January 1 | ($ 221,959) | ($ 59,292) |
| Incurred in the current year | | |
| Exchange differences on translating the financial statements of foreign operations | 41,058 | ( 192,308) |
| Share of exchange differences of subsidiaries and associates accounted for using the equity method | ( 5,315) | ( 8,821) |
| Related income tax | ( 8,212) | 38,462 |
| Other comprehensive income for the current year | 27,531 | ( 162,667) |
| Balance at December 31 | ($ 194,428) | ($ 221,959) |

2). Unrealized valuation gain (loss) on financial assets at FVTOCI

| | 2020 | 2019 |
|---|---|---|
| Balance at January 1 | $ 97,939 | ($ 1,065) |
| Incurred in the current year | | |
| Unrealized profit and loss | | |
| Equity instruments | 1,011,472 | 99,195 |
| Share from subsidiaries and associates accounted for using the equity method | 63,084 | 28,050 |
| Related income tax | ( 3,454) | 1,069 |
| Other comprehensive income for the current year | 1,071,102 | 128,314 |
| The accumulated profit and loss of disposed equity instruments transferred to retained earnings －incurred in the current year | - | ( 1,573) |
| Share from subsidiaries and associates accounted for using the equity method | 26,873 | ( 27,737) |
| Balance at December 31 | $ 1,195,914 | $ 97,939 |

22. Revenue

(1) Revenue from contracts with customers

| | 2020 | 2019 |
|---|---|---|
| Revenue from sale of goods | $ 5,514,958 | $ 6,578,064 |

(2) Contract balances

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|---|---|---|---|
| Contract liabilities | $ 28,930 | $ 11,491 | $ 17,303 |

23. Net profit (loss) from continuing operations

Net profit (loss) from continuing operations included the following:

(1) interest income

| | 2020 | 2019 |
|---|---|---|
| Interest income | | |
| Bank deposit | $ 2,688 | $ 2,997 |
| Financial assets at fair value through profit and loss | 1,325 | 5,763 |
| Reverse repurchase agreements collateralized by bonds | 18 | 508 |
| | $ 4,031 | $ 9,268 |

(2) Other incomes

| | 2020 | 2019 |
|---|---|---|
| Rental income | $ 46,749 | $ 46,070 |
| Dividend income | | |
| Financial assets at fair value through profit and loss | 1,921 | 1,775 |
| Investment in equity instrument at fair value through comprehensive income | 101,764 | 81,003 |
| | 103,685 | 82,778 |
| Others | 7,595 | 11,104 |
| | $ 158,029 | $ 139,952 |

(3) Other gains and losses

| | 2020 | 2019 |
|---|---|---|
| Financial assets and financial liabilities (loss) profit | | |
| Financial assets at fair value through profit and loss | $ 99,599 | $ 48,029 |
| Financial liabilities at fair value through profit and loss | 2,018 | 3,080 |
| Loss on net foreign currency exchange | ( 13,066) | ( 12,373) |
| Loss on disposal of investments | ( 527) | - |
| Others | ( 14,562) | ( 13,168) |
| | $ 73,462 | $ 25,568 |

(4) Finance costs

| | 2020 | 2019 |
|---|---|---|
| Bank loan interest | $ 42,239 | $ 55,812 |
| Lease loan interest | 298 | 351 |
| | $ 42,537 | $ 56,163 |

The Company has no interest capitalization in 2020 and 2019.

(5) Depreciation and amortization

| | 2020 | 2019 |
|---|---|---|
| Property, plant and equipment | $ 304,135 | $ 293,545 |
| Investment properties | 7,643 | 7,644 |
| Right-of-use assets | 423 | 421 |
| Intangible assets | 35 | 35 |
| Total | $ 312,236 | $ 301,645 |
| | | |
| Depreciation expense by function | | |
| Operating costs | $ 304,115 | $ 293,476 |
| Operation expenses | 443 | 490 |
| Other gains and loss | 7,643 | 7,644 |
| | $ 312,201 | $ 301,610 |
| | | |
| Amortization expenses by function | | |
| Operating expenses | $ 35 | $ 35 |

(6) Employee benefit expenses

| | 2020 | 2019 |
|---|---|---|
| Post-retirement benefits (Note 20) | | |
| Defined contribution plans | $ 7,777 | $ 7,570 |
| Defined benefit plans | 4,188 | 5,732 |
| | 11,965 | 13,302 |
| Other employee benefits | 347,180 | 363,920 |
| Total employee benefits expenses | $ 359,145 | $ 377,222 |
| | | |
| Summary by function | | |
| Operating costs | $ 298,386 | $ 312,032 |
| Operating expenses | 60,759 | 65,190 |
| | $ 359,145 | $ 377,222 |

(7) Employees and directors' remuneration

The Company allocates employee's remuneration and director's remuneration at a rate of not less than 1% and not more than 1% respectively of the pre-tax profit before the deduction of the remuneration for employees and directors in the current year. The remuneration for employees and directors for the year of 2020 and 2019 was resolved by the Board of Directors held on March 5, 2021 and March 5, 2020, respectively as follows:

Estimated proportion

| | 2020 | 2019 |
|---|---|---|
| | Cash | Cash |
| Employees' remuneration | 1% | 1% |
| Directors' remuneration | - | - |

Amount

| | 2020 | 2019 |
|---|---|---|
| | Cash | Cash |
| Employees' remuneration | $ 12,937 | $ 9,929 |
| Directors' remuneration | - | - |

If there is any change in the amount after the publication date of the annual individual financial statements, it shall be treated as the change of accounting estimate and be adjusted and accounted in the next year.

There is no difference between the actual allotment of remuneration for employees and directors for the years 2019 and 2018 and the amount recognized in the individual financial statements for the years 2019 and 2018.

Information on the remuneration of employees and directors as determined by the Board of Directors of the Company can be found at the open Market Observation Post System of the Taiwan Stock Exchange.

(8) Gains or losses on foreign currency exchange

| | 2020 | 2019 |
|---|---|---|
| Total foreign exchange gains | $ 23,985 | $ 31,888 |
| Total foreign exchange losses | ( 37,051 ) | ( 44,261 ) |
| Net gain (loss) | ( $ 13,066 ) | ( $ 12,373 ) |

24. Income tax relating to continuing operations

(1) The major components of income tax expenses recognized in profit and loss

| | 2020 | 2019 |
|---|---|---|
| Current income tax | | |
| Incurred in the current year | $ 180,367 | $ 149,016 |
| Levy on undistributed earnings | 5,771 | 5,941 |
| Return tax on earnings of subsidiaries | 3,823 | - |
| Adjustment of prior years | ( 1,004 ) | 202 |
| | 188,957 | 155,159 |
| Deferred income tax | | |
| Incurred in the current year | ( 2,231 ) | 6,674 |
| Impact of deferred income tax on return of earnings of subsidiaries | ( 9,558 ) | - |
| Adjustment of prior years | - | 85 |
| | ( 11,789 ) | 6,759 |
| Income tax expense recognized in profit or loss | $ 177,168 | $ 161,918 |

Adjustment of accounting income and income tax expense is as follows:

| | 2020 | 2019 |
|---|---|---|
| Profit before tax from continuing operations | $ 1,280,755 | $ 982,939 |
| Income tax expense of net profit before tax calculated at statutory tax rate | $ 256,151 | $ 196,588 |
| Nondeductible expenses in determining taxable income | ( 47,735 ) | ( 23,328 ) |
| Tax-free income | ( 39,838 ) | ( 17,570 ) |
| Levy on undistributed earnings | 5,771 | 5,941 |
| Return tax on earnings of subsidiaries | 3,823 | - |
| The current income tax of previous years adjusted in the current year | ( 1,004 ) | 287 |
| Income tax expense recognized in profit or loss | $ 177,168 | $ 161,918 |

In July 2019, the President of our country announced the amendment to the Regulations on Industrial Innovation, stipulating that the construction or purchase of specific assets or technologies with the undistributed earnings from 2018 can be listed as the deduction items for the calculation of undistributed earnings. In calculating the undistributed earnings tax, the Company only subtracts the amount of capital expenditure actually reinvested.

(2) Income tax recognized in other comprehensive income

| | 2020 | 2019 |
|---|---|---|
| Deferred income tax | | |
| Incurred in the current year | | |
| －Translation of foreign operations | ($ 8,212) | $ 38,462 |
| －Unrealized profit and loss of financial assets at fair value through other comprehensive income | ( 3,454) | 1,069 |
| －Remeasurement of defined benefit plan | 122 | ( 1,129) |
| Income tax profit recognized in other comprehensive income | ($ 11,544) | $ 38,402 |

(3) Current income tax liability

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Current income tax liability | $ 185,963 | $ 146,105 |

(4) Deferred tax assets and liabilities

The changes of deferred tax assets and liabilities are as follows:

2020

| | Opening balance | Recognized in profit and loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary difference | | | | |
| Unrealized inventory falling price loss | $ 107 | ($ 82) | $ - | $ 25 |
| Unrealized impairment loss from inventory of supplies | 7,188 | 791 | - | 7,979 |
| Unrealized sales allowance | 1,180 | - | - | 1,180 |
| Unrealized material loss | 1,215 | ( 124) | - | 1,091 |
| Profit and loss of unrealized financial liabilities assessed | - | 782 | - | 782 |
| Leave payable | 2,535 | ( 92) | - | 2,443 |
| Defined benefit retirement plan | 33,277 | ( 2,249) | 122 | 31,150 |
| Inventory accounting and tax difference | 284 | ( 216) | - | 68 |
| Exchange balance of foreign operating institutions | 45,612 | - | ( 8,212) | 37,400 |
| Unrealized conversion loss | 1,022 | ( 1,022) | - | - |
| | $ 92,420 | ($ 2,212) | ($ 8,090) | $ 82,118 |
| Deferred tax liabilities | | | | |
| Temporary difference | | | | |
| Allowance for land value increment tax | ($ 21,469) | $ - | $ - | ($ 21,469) |
| Allowance for bad debts | ( 267) | - | - | ( 267) |
| Unrealized conversion benefit | - | ( 626) | - | ( 626) |
| Tax difference for depreciation tax included | ( 422) | 29 | - | ( 393) |
| Investment profit recognized at equity | ( 28,647) | 14,579 | - | ( 14,068) |
| Profit and loss of unrealized financial assets assessed | ( 1,850) | 19 | ( 3,454) | ( 5,285) |
| | ($ 52,655) | $ 14,001 | ($ 3,454) | ($ 42,108) |

2019

| | Opening balance | Recognized in profit and loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary difference | | | | |
| Unrealized inventory falling price loss | $ 915 | ($ 808) | $ - | $ 107 |
| Unrealized impairment loss from inventory of supplies | 6,938 | 250 | - | 7,188 |
| Unrealized sales allowance | 1,180 | - | - | 1,180 |
| Unrealized material loss | 1,316 | ( 101) | - | 1,215 |
| Profit and loss of unrealized financial liabilities assessed | 415 | ( 415) | - | - |
| Leave payable | 2,628 | ( 93) | - | 2,535 |
| Defined benefit retirement plan | 41,515 | ( 7,109) | ( 1,129) | 33,277 |
| Inventory accounting and tax difference | 57 | 227 | - | 284 |
| Exchange balance of foreign operating institutions | 7,150 | - | 38,462 | 45,612 |
| Unrealized conversion loss | - | 1,022 | - | 1,022 |
| | $ 62,114 | ($ 7,027) | $ 37,333 | $ 92,420 |
| Deferred tax liabilities | | | | |
| Temporary difference | | | | |
| Allowance for land value increment tax | ($ 21,469) | $ - | $ - | ($ 21,469) |
| Allowance for bad debts | ( 267) | - | - | ( 267) |
| Unrealized conversion benefit | ( 548) | 548 | - | - |
| Tax difference for depreciation tax included | ( 435) | 13 | - | ( 422) |
| Investment profit recognized at equity | ( 28,372) | ( 275) | - | ( 28,647) |
| Profit and loss of unrealized financial assets assessed | ( 2,901) | ( 18) | 1,069 | ( 1,850) |
| | ($ 53,992) | $ 268 | $ 1,069 | ($ 52,655) |

(5) Income tax assessments

The Company's profit-seeking enterprise income tax settlement and declaration has been approved by the taxing authority until 2018.

5. Earnings per share

Unit: NT$ per share

| | 2020 | 2019 |
|---|---|---|
| Basic EPS | $ 1.90 | $ 1.41 |
| Diluted EPS | $ 1.89 | $ 1.41 |

In calculating earnings per share, the impact of the stock grants has been adjusted retrospectively. The base date of the stock grants is July 29, 2020. Because of the retroactive adjustment, the changes of basic and earnings per share in 2019 are as follows:

Unit: NT$ per share

| | Before retroactive adjustment | After retroactive adjustment |
|---|---|---|
| Basic EPS | $ 1.48 | $ 1.41 |
| Diluted EPS | $ 1.48 | $ 1.41 |

The weighted average number of earnings and common shares used to calculate earnings per share is as follows:

Net profit for the year

| | 2020 | 2019 |
|---|---|---|
| Net profit used to calculate basic and diluted EPS | $ 1,103,587 | $ 821,021 |

Unit: 1,000 shares

| | 2020 | 2019 |
|---|---|---|
| Number of share | | |
| The weighted average number of ordinary shares used to calculate basic EPS | 582,102 | 582,102 |
| Impact of dilutive potential ordinary shares: | | |
| Employee's remuneration | 786 | 714 |
| The weighted average number of ordinary shares used to calculate diluted EPS | 582,888 | 582,816 |

If the Company elects to pay its employees in stock or in cash, assuming that the compensation will be paid in stock and if the potential common stock is dilutive, the weighted average shares outstanding will be included in the calculation of diluted earnings per share. The dilution of potential common stock will also continue to be taken into account in the calculation of diluted earnings per share before the number of shares paid in the next annual resolution.

26. Capital risk management

The Company conducts capital management to ensure that the Company is able to continue as a going concern and maximize shareholder returns by maximizing debt and equity balances.The Company's overall strategy has stayed unchanged since 2013.

The capital structure of the Company consists of net debt (i.e., borrowings minus cash and cash equivalents) and equity (i.e., stock capital, capital reserves, retained earnings and other equity items) attributable to the owners of the Company.

27. Financial instruments

(1) Information on fair value-financial instrument not at fair value

The Company's management believes that the carrying amounts of financial assets and liabilities not at fair value are close to their fair values

(2) Information on fair value-financial instruments at fair value on a repetitive basis

1). Grade of fair value

December 31, 2020

| | Grade 1 | Grade 2 | Grade 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through profit and loss | | | | |
| Domestic listed (OTC) shares | $ 175,885 | $ - | $ - | $ 175,885 |
| Mutual funds | 831,415 | - | - | 831,415 |
| | $1,007,300 | $ - | $ - | $1,007,300 |
| Financial assets at fair value through other comprehensive income | | | | |
| Investment in equity instruments | | | | |
| Domestic listed (OTC) shares | $3,063,507 | $ - | $ - | $3,063,507 |
| Domestic unlisted (OTC) shares | - | - | 275,798 | 275,798 |
| | $3,063,507 | $ - | $ 275,798 | $3,339,305 |
| Financial liabilities at fair value through profit and loss | | | | |
| Derivatives | $ - | $ 3,912 | $ - | $ 3,912 |

December 31, 2019

| | Grade 1 | Grade 2 | Grade 3 | Total |
|---|---|---|---|---|
| Financial assets at fair value through profit and loss | | | | |
| Derivatives | $ - | $ 94 | $ - | $ 94 |
| Domestic listed (OTC) shares | 123,179 | - | - | 123,179 |
| Mutual funds | 2,462,023 | - | - | 2,462,023 |
| | $2,585,202 | $ 94 | $ - | $2,585,296 |
| Financial assets at fair value through other comprehensive income | | | | |
| Investment in equity | | | | |
| Domestic listed (OTC) shares | $2,124,191 | $ - | $ - | $2,124,191 |
| Domestic unlisted (OTC) shares | - | - | 237,776 | 237,776 |
| | $2,124,191 | $ - | $237,776 | $2,361,967 |

There is no transfer between Grade 1 and Grade 2 fair value measurement in 2020 and 2019.

2). Adjustment of financial instruments at Grade 3 fair value

2020

| Financial assets | Financial assets at fair value through other comprehensive income<br>Equity instruments |
|---|---|
| Balance at January 1, 2020 | $ 237,776 |
| Recognized in other comprehensive income (unrealized profit and loss of financial assets at fair value through other comprehensive income) | 72,157 |
| Return of share funds by the invested company (Note 8) | ( 34,135) |
| Balance at December 31, 2020 | $ 275,798 |

2019

| Financial assets | Financial assets at fair value through other comprehensive income<br>Equity instruments |
|---|---|
| Balance at January 1, 2019 | $ 247,559 |
| Recognized in other comprehensive income (unrealized profit and loss of financial assets at fair value through other comprehensive income) | 8,283 |
| Return of share funds by the invested company (Note 8) | ( 18,066) |
| Balance at December 31, 2019 | $ 237,776 |

3). Evaluation techniques and input values for Grade 2 fair value

| Category of financial instruments | Evaluation techniques and input values |
|---|---|
| Derivatives - forward foreign exchange contracts | Discounted cash flow method: the future cash flow is estimated according to the observable forward exchange rate at the closing period and the exchange rate stipulated in the contract, and discounted at the discount rate that can reflect the credit risk of the counterparties. |

4). Evaluation techniques and input values for Grade 3 fair value

The financial department is responsible for the independent verification of fair value of financial instruments in the Company's evaluation process of Grade 3 fair value, making the evaluation results close to the market state through independent source data, and regularly reviewing to ensure that the evaluation results are reasonable. The Company evaluates unlisted (OTC) equity investments at home and abroad with the asset method. The determination of their fair value is based on the latest net worth of the invested company and the financial and operating status of the observable company. If the liquidity discount decreases, the fair value of such investments will increase. On December 31, 2020, when the net asset value of the invested company increases/decreases by 1%, the fair value will increase/decrease by NT$ 2,758 thousand.

(3) Types of financial instruments

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through profit and loss | | |
| Financial assets at fair value through other comprehensive income | $ 1,007,300 | $ 2,585,296 |
| Financial assets at amortized cost (Note 1) | 1,076,517 | 1,368,066 |
| Financial assets at fair value through other comprehensive income | | |
| Investment in equity instruments | 3,339,305 | 2,361,967 |
| Financial liabilities | | |
| Financial liabilities at fair value through profit and loss | | |
| Financial liabilities held for trading | 3,912 | - |
| Financial liabilities at amortized cost (Note 2) | 4,248,609 | 6,199,859 |

Note 1: Balance refers to the financial assets at amortized cost, including cash and cash equivalents, accounts receivable (including related parties) and other receivables (including related parties).

Note 2:Balance refers to the financial liabilities at amortized cost, including short-term borrowings, short-term notes payable, accounts payable (including related parties), other payables (including related parties) and long-term borrowings.

(4) The purpose and policy of financial risk management

The Company's risk control and hedging strategies are affected by the operating environment, however, the Company has taken appropriate risk management and control actions based on the nature of the business and the principle of risk diversification. Such risks include market risks (including exchange rate risks, interest rate risks and other price risks), credit risks and liquidity risks.

1). Market risk

The main market risks to be borne by the Company as a result of the Company's operations are the risk of foreign exchange rate fluctuations and the risk of interest rate fluctuations.

There has been no change in the Company's exposure to market risks in respect of financial instruments and the way in which such exposure is managed and measured.

① Exchange rate risk

The Company is engaged in foreign currency denominated sales and purchase transactions, which expose the Company to the risk of exchange rate fluctuations. In order to avoid the decrease in the value of foreign currency assets and the fluctuation of future cash flow caused by exchange rate fluctuations, the Company avoids the impact of exchange rate fluctuations by natural offset of foreign currency assets and liabilities, and then avoids the relevant risks by combining the net position of foreign currency with forward foreign exchange contracts. The Company mitigates the impact of such risks by hedging against these risks through forward foreign exchange contracts. The use of forward foreign exchange contracts shall be governed by policies adopted by the Board of Directors of the Company. Internal auditors continuously review policy compliance and risk limits. The Company does not deal in forward foreign exchange contracts for speculative purposes.

Please refer to Note 30 for the carrying amount of the Company's monetary assets and monetary liabilities in non-functional currencies as of the balance sheet date. Please refer to Note 7 for carrying amount of derivative with additional exchange rate exposure.

Sensitivity analysis

The sensitivity analysis of foreign currency exchange rate risk is mainly based on the calculation of foreign currency monetary items (mainly US dollar items) at the end of the financial reporting period. If the Company's functional currency appreciates/depreciates by 3% against the US dollar, the Company's net profit before tax in 2020 will decrease/increase by NT$5,983 thousand; and that in 2019 will decrease/increase by NT$7,269 thousand

As the above sensitivity analysis is based on the amount of foreign currency exposure at the balance sheet date, the management believes that the sensitivity analysis can not reflect the mid year exposure.

② Interest rate risk

The fair value is exposed to risks as a result of interest rate changes because the Company holds the financial assets and liabilities with fixed interest rate; the cash flow is exposed to risks as a result of interest rate changes because of the financial assets and liabilities with floating interest rate. The Company's management regularly monitors the changes in market interest rate so that the interest rate of the Company will be close to the market interest rate to respond to the risks arising from the changes in market interest rate.

The carrying amount of the Company's financial assets and financial liabilities exposed to interest rate risk on the balance sheet date is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Interest rate risk with fair value | | |
| －Financial assets | $ 292,121 | $ 555,654 |
| －Financial liabilities | 724,927 | 1,779,941 |
| Interest rate risk with cash flow | | |
| －Financial assets | 18,499 | 24,852 |
| －Financial liabilities | 3,050,000 | 3,950,000 |

Sensitivity analysis

The sensitivity analysis of interest rate risk is based on the financial assets and financial liabilities on the balance sheet date. The Company takes a 0.5% rise/fall in market interest rate as a reasonable risk assessment for reporting interest rate changes to the management. With all other variables unchanged, market interest rates rise / fall by 0.5%, the financial assets and financial liabilities with cash flow interest rate risk will reduce / increase the Company's pre-tax net profit by NT$15,158 thousand in 2020 and NT$19,626 thousand in 2019.

③ Other price risk

The Company's holdings of domestic and foreign stocks and fund benefit certificates and other securities investment resulting in fair value explosion risk. The management of the Company manages risk by holding different risk portfolios. In addition, the Company assigns a specific team to monitor price risk.

Sensitivity analysis

The following sensitivity analysis is based on the price of securities as of the balance sheet date. However, in the financial assets at fair value through profit and loss in which the Company invests, the risk of price fluctuation of monetary market funds is very low, so it is not included in the analysis.

If the equity price increases/decreases by 5%, the net profit before tax for 2020 and 2019 will increase/decrease by NT$11,864 thousand and NT$17,853 thousand, respectively due to the increase/decrease in the fair value of financial assets (excluding monetary market fund investments) as measured through profit and loss. Other comprehensive income before tax for 2020 and 2019 will be increased/decreased by NT$166,965 thousand and NT$118,098 thousand due to the increase/decrease in the fair value of financial assets at fair value through other comprehensive income.

2). Credit risk

Credit risk refers to the risk that the counterparty defaults on its contractual obligations and causes financial loss to the Company. As of the balance sheet date, the largest credit risk that the Company may incur financial losses due to the failure of the counterparty to fulfill its obligations and the Company's provision of financial guarantees mainly comes from:

① The carrying amount of financial assets recognized in the individual balance sheet.

② The maximum amount that the Company may have to pay for providing financial guarantee does not consider the possibility of occurrence.

The Company's policy is to reduce the risk of financial loss by trading only with companies with good credit standing, and to continuously monitor the credit risk and the credit standing of companies with good credit standing.

The Company's accounts receivable cover a wide range of customers who are from different regions instead of concentrating on single customer or region. Besides, the Company continuously evaluates the financial status of customers of accounts receivable, therefore, they are subject to limited credit risk.

3). Liquidity risk

The management of the Company provides working capital and reduces liquidity risk by maintaining an adequate position of cash, cash equivalents and bank financing.

The Company has sufficient working capital to meet its obligations, therefore, there is no liquidity risk due to inability to raise funds to meet contractual obligations.

① Liquidity and interest rate risk statement

The following statement provides a detailed analysis of the maturity of the contracts for the Company's remaining non-derivative financial liabilities over the agreed repayment period, based on the earliest date on which the Company may be required to repay and based on the undiscounted cash flows of the financial liabilities.

December 31, 2020

| | Weighted average effective rate (%) | Pay on demand or less than 1 year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing liabilities | | $ 379,323 | $ 27,740 | $ - |
| Lease liability | 1.06% | 6,216 | 19,290 | - |
| Instrument with fixed interest rate | 0.81% | 700,000 | - | - |
| Instrument with floating interest rate | 0.91% | - | 3,050,000 | - |
| | | $ 1,085,539 | $ 3,097,030 | $ - |

December 31, 2019

| | Weighted average effective rate (%) | Pay on demand or less than 1 year | 1 to 5 years | More than 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Non-interest bearing liabilities | | $ 381,101 | $ 41,350 | $ - |
| Lease liability | 1.06% | 5,496 | 22,576 | 1,925 |
| Instrument with fixed interest rate | 0.83% | 1,750,000 | - | - |
| Instrument with floating interest rate | 1.05% | - | 3,950,000 | - |
| | | $ 2,136,597 | $ 4,013,926 | $ 1,925 |

② Financing amount

As for the Company, bank loan is an important source of liquidity. The Company’s unused bank financing on the balance sheet date is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Bank loan line | | |
| －Amount used | $ 3,750,000 | $ 5,700,000 |
| －Amount unused | 5,714,800 | 3,029,800 |
| | $ 9,464,800 | $ 8,729,800 |

28. Transactions with related parties

The ultimate parent company of the Company is USI Corporation (USI), which indirectly held 36.08% of the Company's ordinary shares in 2020, December 31 and 2019.

Except as otherwise disclosed in the Notes, the Company transacts with its related parties as follows:

(1) The names and relationships of related parties involved in major transactions with the Company are summarized as follows:

| Name of Relate d Parties | Relationship with the Company |
|---|---|
| USI Corporation (USI) | Ultimate parent company |
| Union Polymer International Investment Corporation (Union Polymer) | Parent company |
| USI International Corp. (USIIC) | Subsidiary |
| USI Trading (Shanghai) Co., Ltd. (USITA) | Subsidiary |
| APC Investment Co., Ltd. | Subsidiary |
| China General Plastics Corporation (CGPC) | Associates |
| China General Terminal & Distribution Corporation (CGTD) | Associates |
| Acme Electronics Corporation (ACME) | Associates |
| USI Optronics Corporation (USIO) | Associates |
| Swanson Plastics Corporation (SPC) | Associates |
| Taiwan VCM Corporation (TVCM) | Associates |
| CGPC Polymer Corporation (CGPCP) | Associates |
| Forever Young Company Limited (Forever Young) | Associates |
| Swanson Technologies Corporation (STC) | Associates |
| Taita Chemical Company, Limited (TTC) | Fraternal company |
| Taiwan United Venture Management Corporation (TUVM) | Fraternal company |
| USI Management Consulting Corporation (UM) | Fraternal company |
| USIFE Investment Co., Ltd. (USII) | Fraternal company |
| INOMA Corporation (INOMA) | Fraternal company |
| Chong Loong Trading Co., Ltd. (CLT) | Fraternal company |
| USI (Hong Kong)(USI (HK)) | Fraternal company |
| USI Education Foundation (USIF) | Substantial related party |

(2) Sales of goods

| Category of related parties / names | 2020 | 2019 |
|---|---|---|
| Ultimate parent company | | |
| USI Corporation (USI) | $ 662,692 | $ 842,692 |
| Associates | 37,375 | 55,290 |
| Fellow subsidiary | 14,052 | 20,973 |
| Subsidiary | 63,613 | 113,478 |
| | $ 777,732 | $ 1,032,433 |

The price and terms of sale to a related party are comparable to those of the unrelated parties.

(3) Purchases of goods

| Category of related parties / name | 2020 | 2019 |
|---|---|---|
| Ultimate parent company | | |
| USI | $ 98,421 | $ 153,099 |
| Associatess | 28,322 | 33,572 |
| | $ 126,743 | $ 186,671 |

The transaction terms and prices of the goods purchased from the related parties are comparable to those of the unrelated parties.

(4) Management fee (under general and administrative expenses)

| Category of related parties / name | 2020 | 2019 |
|---|---|---|
| Ultimate parent company | | |
| USI | $ 8,470 | $ 8,403 |
| Fellow subsidiary | | |
| UM | 39,208 | 42,488 |
| | $ 47,678 | $ 50,891 |

(5) Lease arrangements - Company is lessee

Lease expenses

| Category of related parties / name | 2020 | 2019 |
|---|---|---|
| Ultimate parent company | | |
| USI | $ 2,783 | $ 2,424 |
| Subsidiaries | - | 11 |
| | $ 2,783 | $ 2,435 |

(6) Lease agreement - Company is lessor

Lease income

| Category of related parties / name | 2020 | 2019 |
|---|---|---|
| Ultimate parent company | $ 3,534 | $ 2,819 |
| Parent company | 36 | 176 |
| Subsidiaries | 142 | 142 |
| Associate | | |
| TVCM | 12,680 | 12,912 |
| Others | 6,500 | 6,063 |
| | 19,187 | 18,982 |
| Fellow subsidiary | | |
| TTC | 6,686 | 7,156 |
| Others | 1,869 | 1,891 |
| | 8,555 | 9,047 |
| | $ 31,440 | $ 31,152 |

The associatess lease the pipeline from the Company for a period of one year. If the contract is expired without a statement, it shall be regarded as renewal. The rent shall be calculated on the basis of actual operation volume and paid monthly.

(7) Donation expenses (under general and administrative expenses)

| Category of related parties / name | 2020 | 2019 |
|---|---|---|
| Substantive party－ USI Education Foundation (USIF) | $ 3,000 | $ 2,000 |

(8) Management service income (under other income)

| Category of related parties / name | 2020 | 2019 |
|---|---|---|
| Associatess | $ 1,905 | $ 1,577 |

(9) Investment consultant fee (under other gains and losses)

| Category of related parties / name | 2020 | 2019 |
|---|---|---|
| Fellow subsidiary | | |
| Taiwan United Venture Management Corporation (TUVM) | $ 1,397 | $ 1,734 |

(10) Accounts receivable

| Category of related parties / name | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Ultimate parent company | | |
| USI | $ 189,988 | $ 147,057 |
| Associatess | 3,549 | 6,211 |
| Subsidiaries | | |
| USI Trading (Shanghai) Co., Ltd. (USIT) | 12,462 | 27,988 |
| Fellow subsidiary | 3,876 | 3,516 |
| | $ 209,875 | $ 184,772 |

(11) Other receivables

| Category of related parties / name | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Ultimate parent company | | |
| USI | $ 58 | $ 1,974 |
| Associatess | | |
| China General Terminal & Distribution Corporation (CGTD) | 1,000 | 832 |
| CGPC Polymer Corporation (CGPCP) | 197 | 182 |
| Others | 90 | 214 |
| | 1,287 | 1,228 |
| Fellow subsidiary | | |
| Taita Chemical Company, Limited (TTC) | 617 | 667 |
| Others | 3 | 108 |
| | 620 | 775 |
| | $ 1,965 | $ 3,977 |

Other receivables - related party payments are mainly payments made by the ultimate parent company and associates to the Company for renting offices.

(12) Accounts payable

| Category of related parties / name | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Ultimate parent company | | |
| USI | $ 12,387 | $ 12,940 |
| Associatess | | |
| Swanson Plastics Corporation (SPC) | 3,243 | 2,727 |
| | $ 15,630 | $ 15,667 |

(13) Other payables

| Category of related parties / name | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Ultimate parent company | | |
| USI | $ 46,442 | $ 160,382 |
| Subsidiaries | 98 | 120 |
| Associatess | 2,946 | 5,590 |
| Fellow subsidiary | 496 | 613 |
| | $ 49,982 | $ 166,705 |

Other Payables - Related-Party Payments are mainly the amount of ethylene allocated and purchased by the Company from the ultimate parent company.

(14) Remuneration of major management

Total remuneration for directors and other key management in 2020 and 2019 is as follows:

| | 2020 | 2019 |
|---|---|---|
| Short-term employee benefits | $ 16,355 | $ 14,922 |
| Post-retirement benefits | - | 27 |
| | $ 16,355 | $ 14,949 |

Remuneration of directors and other key management is determined by the Remuneration Committee based on the individual performance and market trends.

29. Significant Contingent Liabilities and Unrecognized Contractual Commitments

(1) Material commitments

The balance of our L/C outstanding as at December 31, 2020 was NT $370,000 thousand.

(2) Material contracts

1). On April 17, 2014, the Company and USI entered into a joint venture agreement concerning Gulei Investment. The counter-parties of the agreement or commitment are Ho Tung Chemical Corp., LCY Chemical CORP., Hsin Tay Petroleum Co., Ltd., Chenergy Global Corporation, and Lien Hwa Industrial Holdings Corp. The main contents of the contract are as follows: (1) the shareholder invests and establishes Ever Victory Global Ltd. (hereinafter referred to as “the Joint Venture”) in accordance with the contract, and agrees that Dynamic Ever Investments Limited(the “Hong Kong Company”), which the shareholders of the Company have a 100% shareholding located in Hong Kong, will invest in seven products including oil refining and ethylene production in Gulei Garden, Zhangzhou, Fujian Province, China, and other businesses approved by the competent authority of the Republic of China and approved by the Board of Directors of the Joint Venture. (2) The Hong Kong Company and Fujian Petrochemical Co., Ltd., in accordance with the laws and regulations of the People’s Republic of China, have established a company (hereinafter referred to as Gulei Company) in Gulei Park, Zhangzhou, Fujian Province to conduct the business for the purpose of the Joint Venture and have acquired 50% of the shares issued by Gulei Company as the basis for the joint venture investment. However, after the signing of the original joint venture contract, the total amount of the Joint Venture’s investment in Gulei Company will not be fulfilled by some of the counterpart parties of the original contract or commitment due to the increase of the capital demand of the investment plan. Therefore, the Company and USI re-signed the joint venture contract with the counterparty of the original contract or commitment and CTCI Corporation on September 30, 2016, and the original joint venture contract was terminated at the same time.

The Company and USI originally invested US $2,171 thousand (approximately NT $65,202 thousand) and US $3,131 thousand (approximately NT $94,221 thousand) respectively to form a joint venture, Ever Conquest Global Ltd. (included as investment at equity), to invest in the Joint Venture through the Third Region.

As of December 31, 2018, the Company and USI invested US $103,240 thousand (approximately NT $3,190,905 thousand) and US $176,268 thousand (approximately NT $5,442,336 thousand) in Ever Conquest Global Ltd. (an equity investment). And through the company to increase the capital of the Joint Venture, which re-invested in the Hong Kong Company in January 2017, July and August 2018, respectively totaling US$ 343,977 thousand, and re-invested in Gulei Company totaling RMB 2,304,800 thousand (about US$ 335,901 thousand) in April 2017, August and November 2018, respectively. The Joint Venture was invested through Third Region.

In addition, the Company and USI have increased their investment in Ever Conquest Global Limited of US $40,920 thousand (approximately NT $1,280,719 thousand) and US $70,402 thousand (approximately NT $2,203,644 thousand) in May and August 2019 respectively.

The Company has increased its investment in Ever Conquest Global Limited in March and December 2020 to US $18,832 thousand (approximately NT$570,606 thousand) and US $7,483 thousand (approximately NT$213,358 thousand) respectively in March and December 2020.

As of December 31, 2020, the Company and USI have invested US$ 170,475 thousand (approximately NT $5,255,588 thousand) and US$ 246,670 thousand (approximately NT $7,645,980 thousand) respectively in the Ever Conquest Global Limited, and transferred the additional capital of US$ 417,145 thousand to the Joint Venture through the company. The Joint Venture invested US$63,855 thousand and $63,855 thousand to the Hong Kong Company in June 2019 and August 2019 respectively, and invested RMB 2,352,400 thousand (approximately $338,418 thousand) to Gulei Company in June 2019, August 2019, April and December 2020, respectively.

To supplement the working capital of Gulei Company, the Joint Venture entered into a Joint Venture Agreement with DOR PO Investment Company Limited (hereinafter referred to as DOR PO Company) of Hong Kong on June 5, 2019 to jointly invest in the Hong Kong Company. In accordance with the provisions of the Joint Venture Agreement, DOR PO Company will contribute US

$109,215 thousand to participate in the capital increase of Hong Kong Company. As of December 31, 2020, DOR PO Company has contributed US $99,108 thousand, accounting for approximately 14.7% of the equity of Hong Kong Company.

2). In order to improve the efficiency of asset management, the Company provides 10 listed propertys for investment located in subsec. 3, Yanji St., Songshan dist., Taipei City 105049, Taiwan (R.O.C.). In cooperation with the neighboring areas, the has participated in the urban renewal plan of Huaku Development Co., Ltd. (hereinafter referred to as Huaku Development) by means of right change, and has signed the Urban Renewal Development Contract, and has received a performance bond of NT$6,400 thousand from the builder. The plan has been approved by the Taipei Municipal Government on November 30, 2017. Besides, in order to ensure the smooth development of the urban renewal plan, the Company and Huaku Development signed a Property Trust Contract with the Trust Department of Yushan Bank in 2017, and jointly entrusted the Trust Department of Yushan Bank to manage, divide, merge and transfer the property rights of the construction base and the buildings on the ground during the duration of the trust relationship, By 2020, we have completed the check-in. As of December 31, 2020, the delivery of the vacant spot has been completed.

(3) Major Contingencies

Regarding the gas explosion of the propylene pipeline of Lee Chang Yung Chemical Industry Corporation (hereinafter referred to as Lee Chang Yung Chemical) on the night of July 31, 2014 operated by the invested company, China General Terminal & Distribution Corporation (hereinafter referred to as CGTD), which was entrusted by the Company with the equity method, the second trial of the criminal part of the gas explosion case was pronounced on April 24, 2020, and all three employees of CGTD were acquitted.

CGTD entered into an agreement with the Kaohsiung Municipal Government on February 12, 2015 to provide the Kaohsiung Municipal

Government with the pledge of a bank certificate of deposit of NT$227,458 thousand (including interest) as security against losses incurred in the event of an gas explosion. The Kaohsiung Municipal Government has also filed civil lawsuits against CGTD, Lee Chang Yung Chemical and CPC Corporation. Moreover, Taiwan Power Company applied to the court for sequestration of CGTD's property on August 27 and November 26, 2015 respectively, and CGTD has deposited cash of NT$99,207 thousand to the court to avoid sequestration. Taiwan Water Corporation also applied to the court for false seizure of CGTD's property on February 3 and March 2, 2017 respectively. As of February 26, 2021, the value of the property seized of CGTD is approximately NT$ 9,581 thousand.

In view of the case of gas explosion victims, CGTD and Lee Chang Yung Chemical with the Kaohsiung Municipal Government signed a tripartite agreement on July 17, 2015, it is agreed that all the heirs of the 32 victims and those who have the right to claim (hereinafter referred to as "the family members of the victims") shall negotiate compensation. Each family member of the victim was compensated with NT $12,000 thousand, and the total settlement was NT $384,000 thousand. The settlement money will be paid in advance by Lee Chang Yung Chemical, and Lee Chang Yung Chemical will negotiate and sign a settlement agreement with the families of the victims of the gas explosion incident on behalf of the three parties.

For the seriously injured, CGTD and Lee Chang Yung Chemical signed a tripartite agreement with the Kaohsiung Municipal Government on October 25, 2017, agreeing to negotiate compensation for the 65 seriously injured persons first. The settlement will be paid in advance by CGTD and the Kaohsiung Municipal Government; In addition, on behalf of the three parties, CGTD negotiated with the seriously injured in the gas explosion incident and signed a reconciliation contract with 64 of them.

As of February 26, 2021, the injured, victims or their relatives of the Kaohsiung gas explosion incident have filed civil (including criminal incidental civil) lawsuits against CGTD, Lee Chang Yung

Chemical and CPC Corporation for compensation; CGTD has reached a settlement of NT$ 4,519 thousand for the original claim of NT$ 46,677 thousand based on the consideration of mitigating litigation costs. The total amount of the remaining claims in the litigation and the settlement of the victims and seriously injured as described in the preceding paragraph is approximately NT$3,856,447 thousand. The first instance verdict of some of these civil cases (indemnity amount of NT$1,341,128 thousand) of have been convicted since June 22, 2018 and most cases are with reference to the criminal courts of first instance verdict, determined that the negligence liability ratio of Kaohsiung Municipal Government, Lee Chang Yung Chemical and CGTD was 4:3:3, and that CGTD, Lee Chang Yung Chemical and other defendants should pay compensation of about NT$401,979 thousand (of which NT$6,194 thousand was exempted from liability by the court). At present, CGTD has filed an appeal for the adjudicated but unsettled civil cases and proceeded with the second instance procedure successively. CGTD signed a claim agreement with an insurance company, according to the negligence liability ratio determined by the judgment of first instance, it estimated the settlement amount of victims and seriously injured, the compensation amount of civil litigation cases (including the settled cases), and estimated amount to be borne by itself after deducting the upper limit of insurance claim was NT$ 136,375 thousand, which had been included into the account. However, the actual amount of such settlement and compensation shall not be confirmed until the proportion of liability to be shared by CGTD is determined in accordance with the civil action.

30. Significant information on foreign currency assets and liabilities

The following information is summarized and presented in terms of foreign currencies other than the Company's functional currencies. The exchange rate disclosed refers to the exchange rate converted from such foreign currencies to the functional currencies. The information on foreign currency financial assets and liabilities with significant impact is as follows:

Unit: The foreign currency/carrying amount is NT$ 1,000,
except the exchange rate is NT$1

December 31, 2020

| | Foreign currency | Exchange rate | | Functional currency | Carrying amount |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD | $ 10,807 | 28.4800 | (USD:NTD) | $ 307,795 | $ 307,795 |
| RMB | 87,272 | 4.3648 | (RMB:NTD) | 380,924 | 380,924 |
| JPY | 5 | 0.2763 | (JPY:NTD) | 1 | 1 |
| | | | | | $ 688,720 |
| Non-monetary items | | | | | |
| Subsidiaries and associatess at equity | | | | | |
| USD | 198,293 | 28.4800 | (USD:NTD) | 5,647,372 | $ 5,647,372 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD | $ 3,805 | 28.4800 | (USD:NTD) | $ 108,375 | $ 108,375 |
| JPY | 7,072 | 0.2763 | (JPY:NTD) | 1,954 | 1,954 |
| EUR | 24 | 35.0200 | (EUR:NTD) | 847 | 847 |
| | | | | | $ 111,176 |
| Non-monetary items | | | | | |
| Derivatives | | | | | |
| RMB | 77,660 | 4.3648 | (RMB:NTD) | 3,912 | $ 3,912 |

December 31, 2019

| | Foreign currency | Exchange rate | | Functional currency | Carrying amount |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD | $ 11,542 | 29.9800 | (USD:NTD) | $ 346,016 | $ 346,016 |
| RMB | 85,806 | 4.2975 | (RMB:NTD) | 368,753 | 368,753 |
| JPY | 5 | 0.2760 | (JPY:NTD) | 1 | 1 |
| | | | | | $ 714,770 |
| Non-monetary items | | | | | |
| Subsidiaries and associatess at equity | | | | | |
| USD | 163,110 | 29.9800 | (USD:NTD) | 4,890,051 | $ 4,890,051 |
| Derivatives | | | | | |
| USD | 1,730 | 29.9800 | (USD:NTD) | 677 | 677 |
| | | | | | $ 4,890,728 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD | 3,459 | 29.9800 | (USD:NTD) | 103,707 | $ 103,707 |
| JPY | 188 | 0.2760 | (JPY:NTD) | 52 | 52 |
| | | | | | $ 103,759 |
| Non-monetary items | | | | | |
| Derivatives | | | | | |
| RMB | 72,000 | 4.2975 | (RMB:NTD) | 583 | $ 583 |

The foreign currency profit and loss (realized and unrealized) of the Company in 2020 and as of December 31, 2019 was of net loss of NT$13,066 thousand and NT$12,373 thousand. Due to the variety of foreign currency transactions, it is not possible to disclose the exchange gains and losses according to the foreign currency of each significant impact.

31. Disclosure of Notes

(1) Information on Major Transactions:

1). lend funds to others. (none)

2). Endorse a guarantee for another. (none)

3). Marketable securities held at the end of the period (excluding investment in subsidiaries, associatess and equity of joint ventures). (Attachment 1)

4). The accumulative purchase or sale of the same securities amounts to NT $300 million or more than 20% of the paid-up capital. (Attachment 2)

5). The amount of property acquired is NT $300 million or more than 20% of the paid-up capital. (none)

6). The amount of disposing of property amounts NT $300 million or more than 20% of the paid-up capital. (none)

7). The amount of purchase and sale with related parties amounts to NT $100 million or more than 20% of the paid-up capital. (Attachment 3)

8). The amount receivable from the related parties is NT $100 million or more than 20% of the paid-up capital. (Attachment 4)

9). Trading in derivatives: Note 7.

(2) Information of Reinvestment Business. (Attachment 5)

(3) Information on Investment in Mainland

1). Name of the invested company in mainland China, main business items, paid-in capital, investment method, outward and inward remittance of funds, shareholding ratio, profit and loss from investment, carrying value of investment as of closing period, repatriated profit and loss from investment, and investment limit in mainland China. (Attachment 6)

2). The following major transactions, price, payment terms, unrealized profit and loss, directly or indirectly with the invested company in the mainland through the third region: (Attachment 7)

① The amount and percentage of purchase and the closing balance and percentage of related accounts payable.

② The amount and percentage of sales and the closing balance and percentage of related receivables.

③ The amount of property transactions and the amount of profits and losses arising therefrom.

④ Closing balance of the guaranty or collateral for the endorsement of the bill and the purpose thereof.

⑤ Maximum balance of financing, closing balance, interest rate range and total amount of current interest.

⑥ Other transactions that have a significant impact on the current profit and loss or financial position, such as the provision or receipt of services.

(4) Information on major shareholders: name, amount and proportion of shareholders with shareholding ratio of more than 5%. (Attachment 8)

Except for the disclosures in Attachment 1 to 8, there are no other major transaction matters, reinvestment undertakings and information on investment in mainland that should be disclosed.

32. Information on Departments

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the company may be exempted from the preparation of the departmental information specified in the International Financial Reporting Standards (IFRSs) No. 8.

ASIA POLYMER CORPORATION

MARKETABLE SECURITIES HELD

December 31, 2020

Attachment 1

Unit: NT $1,000 unless otherwise indicated

| Holding Company | Marketable Securities and Names | The relationship with the Issuer of Marketable Securities | Financial Statement Account | End of the period | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares / Units | Carrying Amount | Shareholding Ratio (%) | Fair Value | |
| | Ordinary shares | | | | | | | |
| APC | Harbinger Venture Capital Corp. | None | Financial assets at fair value through other comprehensive income-non-current | 2,377 | $ 18 | 1.20% | $ 18 | |
| | Riselink Venture Capital Corp. | " | " | 2,632 | 318 | 1.67% | 318 | |
| | KHL IB Venture Capital Co., Ltd. | " | " | 12,044,707 | 275,462 | 11.90% | 275,462 | |
| | USI Corporation | Ultimate parent company | " | 101,355,673 | 2,290,638 | 8.53% | 2,290,638 | |
| | CTCI Corporation | None | " | 14,446,107 | 551,842 | 1.89% | 551,842 | |
| | AU Optronic Corporation | " | " | 9,618,516 | 134,659 | 0.10% | 134,659 | |
| | Wafer Works Corporation | " | Financial assets at fair value through other comprehensive income-current | 2,017,946 | 86,368 | 0.39% | 86,368 | |
| | Unimicron Technology Corporation | " | Financial assets at fair value through profit or loss-current | 300,000 | 26,220 | 0.02% | 26,220 | |
| | Evergreen Marine Corp. | " | " | 1,693,251 | 68,915 | 0.04% | 68,915 | |
| | Quanta Computer Inc. | " | " | 200,000 | 16,180 | 0.01% | 16,180 | |
| | United Microelectronics Corporation. | " | " | 450,000 | 21,218 | 0.00% | 21,218 | |
| | G.M.I. Technology Inc. | " | " | 1,515,800 | 21,752 | 0.19% | 21,752 | |
| | Taiwan Cement Corp. | " | " | 500,000 | 21,600 | 0.01% | 21,600 | |
| | Benefit securities | | | | | | | |
| | Cathay No. 1 Property Investment Trust Fund | " | " | 3,281,000 | 61,388 | - | 61,388 | |
| | Beneficiary certificates | | | | | | | |
| | Mega Diamond Money Market Fund | " | " | 5,887,835 | 74,481 | - | 74,481 | |
| | Capital Investment Trust Corporation Stable Money Market Fund | " | " | 2,152,072 | 35,004 | - | 35,004 | |
| | Jih Sun Money Market Fund | " | " | 16,818,904 | 251,443 | - | 251,443 | |
| | Prudential Financial Money Market Fund | " | " | 3,137,157 | 50,053 | - | 50,053 | |

(Continued)

(Continued)

| Holding Company | Marketable Securities and Names | The relationship with the Issuer of Marketable Securities | Financial Statement Account | End of the period Number of Shares / Units | Carrying Amount | Shareholding Ratio (%) | Fair Value | Note |
|---|---|---|---|---|---|---|---|---|
| | Taishin 1699 Money Market Fund | None | Financial assets at fair value through profit or loss-current | 12,021,036 | $ 164,038 | - | $ 164,038 | |
| | CTBC Hwa Win Money Market Fund | " | " | 5,672,048 | 63,002 | - | 63,002 | |
| | FSITC Taiwan Money Market | " | " | 3,564,088 | 55,006 | - | 55,006 | |
| | Hua Nan Kirin Money Market Fund | " | " | 6,381,916 | 77,000 | - | 77,000 | |
| APC (BVI) | Shares | | | | | | | |
| | Budworth Investment Ltd. - ordinary shares | " | Financial assets at fair value through other comprehensive income - non-current | 40,467 | 10 | 4.45% | 10 | |
| | Silicon Technology Investment (Cayman) Corp. -preference shares | " | " | 1,139,776 | 57,117 | 2.19% | 57,117 | |
| | NeuroSky, Inc. - series D preference shares | " | " | 2,397,364 | - | 0.37% | - | (Note 1) |
| | Solargiga Energy Holdings Ltd. | " | " | 15,863,333 | 17,480 | 0.49% | 17,480 | |
| | Teratech Corp. - ordinary shares | " | " | 112,000 | - | 0.67% | - | (Note 1) |
| | TGF Linux Communication, Inc. - preference shares | " | Financial assets at fair value through profit or loss-non-current | 300,000 | - | - | - | (Note 1) |
| | Sohoware, Inc. - preference shares | " | " | 450,000 | - | - | - | (Note 1) |
| | Boldworks, Inc. - preference shares | " | " | 689,266 | - | - | - | (Note 1) |
| APC Investment Corporation | Ordinary shares | | | | | | | (Note 1) |
| | USI Corporation | Ultimate parent company | Financial assets at fair value through profit or loss-current | 44,808 | 1,013 | - | 1,013 | |
| | Taiwan Cement Corp. | None | " | 300,000 | 12,960 | 0.01% | 12,960 | |
| | United Microelectronics Corporation. | " | " | 150,000 | 7,073 | 0.00% | 7,073 | |
| | Evergreen Marine Corp. | " | " | 564,416 | 22,972 | 0.01% | 22,972 | |
| | Quanta Computer Inc. | " | " | 100,000 | 8,090 | 0.00% | 8,090 | |
| | Unimicron Technology Corporation | " | " | 150,000 | 13,110 | 0.01% | 13,110 | |
| | G.M.I. Technology Inc. | " | " | 492,900 | 7,073 | 0.39% | 7,073 | |
| | Beneficiary securities | | | | | | | |
| | Cathay Taiwan Money Market Fund | None | Financial assets at fair value through profit or loss-current | 499,525 | 6,261 | - | 6,261 | |

Note 1: Due to the investment losses recognized over the past years, the Company evaluated the fair value of long-term equity instruments as 0.

Note 2: Please refer to Attachment 5 and 6 for detailed information on subsidiaries and associatess.

ASIA POLYMER CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

Attachment 2

In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| Company Purchase/Sale | Type and Name of Marketable Securities | Financial Statement Account | Trading Partner | Relationship | Beginning of the Period | | Purchase | | Sale | | | | The end of the Period (Note) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of Share | Amount | Number of Share | Amount | Number of Share | Sale Price | Book Cost | Dispose of Interests | Number of Share | Amount |
| APC Corporation | Shares | | | | | | | | | | | | | |
| | Ever Conquest Global Limited., | Investment at equity | — | Investmee at equity | 144,160,000 | $ 4,265,335 | 26,315,000 | $ 783,964 | - | $ - | $ - | $ - | 170,475,000 | $ 5,066,945 (Note 1) |
| | Fund | | | | | | | | | | | | | |
| | Taishin 1699 Money Market Fund | Financial assets at fair value through profit and loss-current | — | — | 18,356,835 | 248,000 | 35,947,285 | 490,000 | 42,283,084 | 576,189 | 574,000 | 2,189 | 12,021,036 | 164,038 (Note 2) |
| | Taishin Ta-Chong Money Market Fund | " | — | — | 3,832,822 | 54,400 | 21,475,665 | 307,000 | 25,308,487 | 361,769 | 361,400 | 369 | - | - |
| | CTBC Hwa Win Money Market Fund | " | — | — | 14,112,664 | 155,000 | 32,094,158 | 356,000 | 40,534,774 | 449,485 | 448,000 | 1,485 | 5,672,048 | 63,002 (Note 3) |
| | FSITC Money Market | " | — | — | 957,942 | 171,000 | 2,239,281 | 402,000 | 3,197,223 | 573,842 | 573,000 | 842 | - | - |
| | FSITC Taiwan Money Market | " | — | — | 12,624,735 | 193,000 | 12,026,785 | 185,300 | 21,087,432 | 324,749 | 323,300 | 1,449 | 3,564,088 | 55,006 (Note 4) |

Note 1: book cost includes original acquisition cost, profit and loss from investment recognized at equity, exchange rate conversion and net change adjustment.

Note 2: the amount at the end of the period of the account is NT$164,038 thousand, which is the balance between investment cost of 164,000 thousand and adjustment amount evaluated of NT$38 thousand.

Note 3: the amount at the end of the period of the account is NT$63,002 thousand, which is the balance between investment cost of 63,000 thousand and adjustment amount evaluated of NT$2 thousand.

Note 4: the amount at the end of the period of the account is NT$55,006 thousand, which is the balance between investment cost of 55,000 thousand and adjustment amount evaluated of NT$6 thousand.

ASIA POLYMER CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

Attachment 3

In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| Buyer/Seller | Related Parties | Relationship | Transaction Details | | | | Circumstances and Reasons for Differences between Trading Terms and General Trading | | Bills and Accounts Receivable (Payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase (Sale) of Goods | Amount | Proportion of total Purchase (Sales) | Credit Period | Unit Price | Credit Period | Balance | | Ratio of Total Bills and Accounts Receivable (Payable) |
| Asia Polymer Corporation (APC) | USI Corporation | Ultimate parent company | Sales of goods | ($ 662,692) | (12.01%) | 60 days | No material difference | No material difference | Accounts receivable-related parties | $ 189,988 | 25.16% |
| USI Trading (Shanghai) Co., Ltd. | USI Corporation | Ultimate parent company | Purchase of goods | 119,428 | 4.01% | 30 days | No material difference | No material difference | Accounts payable-related parties | ( 33,203) | ( 13.07%) |

ASIA POLYMER CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

Attachment 4

In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| Companies with Accounts Receivable | Related Parties | Relationship | Balance of Receivables from Related Parties | | Turnover Rate | Overdue Receivables from Related Parties | | Amount Recovered after Due Date of Receivables from Related Parties (Note 2) | Allowance for Bad Debts |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Amount | Disposal Mode | | |
| Asia Polymer Corporation (APC) | USI Corporation | Ultimate parent company | Accounts receivable-related parties | $ 189,988 | 3.91 | $ - | - | $ 189,988 | Note 1 |
| | | | Other receivables-related parties | 58 | | - | - | 58 | Note 1 |

Note 1: no allowance for bad debts is required on assessment.

Note 2: post period refers to the period from January 1 to March 5, 2021.

# ASIA POLYMER CORPORATION

## INFORMATION ON INVESTEES, LOCATION, ETC.

## FOR THE YEAR ENDED DECEMBER 31, 2020

Attachment 5

In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| Name of Investor | Name of Investee | Location | Main Business | Original Investment Amount | | Closing Balance | | | Current Profit (Loss) from Investee | Current Investment Profit and Loss Recognized | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Closing balance of This Year | Closing Balance of Last Year | Number of Share | Ratio | Carrying Amount | | | |
| Asia Polymer Corporation (APC) | APC (BVI) | BVI | Reinvestment business | $ 392,306<br>( US$ 13,774,806 ) | $ 392,306<br>( US$ 13,774,806) | 11,342,594 | 100.00% | $ 517,012 | $ 15,182 | $ 15,182 | Subsidiary (Note 1) |
| | APC Investment Co., Ltd. | Taipei City | Investment business | 200,000 | 200,000 | 20,000,000 | 100.00% | 132,491 | 33,542 | 33,542 | Subsidiary (Note 1) |
| | USI International Corp. | BVI | Reinvestment business | 59,808<br>( US$ 2,100,000 ) | 79,744<br>( US$ 2,800,000 ) | 2,100,000 | 70.00% | 63,415 | 5,387 | 3,771 | Subsidiary (Note 1) |
| | China General Plastics Corporation (CGPC) | Taipei City | Production and sales of plastic cloth, plastic skin, plastic pipe, plastic particles, plastic powder, special shaped extruded building materials, alkali chlorine products and other related products | 247,412 | 247,412 | 44,653,510 | 8.07% | 782,997 | 1,634,185 | 131,866 | Investee at equity |
| | China General Terminal & Distribution Corporation | Taipei City | Storage and transportation of petrochemical raw materials | 41,082 | 41,082 | 19,918,184 | 33.33% | 315,711 | 69,385 | 23,128 | Investee at equity |
| | Swanson Plastics Corporation | Taipei City | Production and sales of telescopic film and industrial multilayer packaging film | 75,242 | 75,242 | 12,266,779 | 7.95% | 206,857 | 247,423 | 19,669 | Investee at equity |
| | Acme Electronics Corporation | Taipei City | Production and sales of manganese zinc, soft ferrite, magnetic powder, magnetic core | 61,348 | 61,348 | 6,056,623 | 3.31% | 42,939 | 33,393 | 1,105 | Investee at equity |
| | Taiwan United Venture Capital Corp. (TUVC) | Taipei City | Investment in high-tech business | 52,791 | 52,791 | 3,913,533 | 8.33% | 21,472 | ( 4,172 ) | ( 347 ) | Investee at equity |
| | Thintec Materials Corporation (TMC) | Taipei City | Manufacturing of reinforce plastic products | 36,250 | 36,250 | - | - | - | 15 | 4 | Investee at equity |
| | USI Optronics Corporation | Taipei City | Production and sales of sapphire single crystal | 59,725 | 59,725 | 5,972,464 | 9.20% | 12,579 | ( 62,320 ) | ( 5,735 ) | Investee at equity |
| | Ever Conquest Global Ltd. | BVI | Reinvestment business | 4,855,128<br>( US$ 170,475,000 ) | 4,105,677<br>( US$ 144,160,000 ) | 170,475,000 | 40.87% | 5,066,945 | ( 113,719 ) | ( 44,058 ) | Investee at equity |
| APC (BVI) | ACME Electronics (Cayman) Corp. | British Cayman Islands | Reinvestment business | 149,375<br>( US$ 5,244,903 ) | 149,375<br>( US$ 5,244,903 ) | 8,316,450 | 16.64% | 200,825 | 9,485 | - | APC (BVI)-investee at equity |
| | USI International Corp. | BVI | Reinvestment business | 25,632<br>( US$ 900,000 ) | 34,176<br>( US$ 1,200,000 ) | 900,000 | 30.00% | 27,178 | 5,387 | - | APC (BVI)-investee at equity (Note 1) |
| APC Investment Co., Ltd. | Acme Electronics Corporation | Taipei City | Production and sales of manganese zinc, soft ferrite, magnetic powder, magnetic core | 14,889 | 14,889 | 1,884,548 | 1.03% | 13,361 | 33,393 | - | APC Investment Co., Ltd. -investee at equity |
| | SWANSON TECHNOLOGIES CORPORATION | Taipei City | Production and sales of EVA encapsulation film | 30,000 | 30,000 | 3,000,000 | 15.00% | ( 16,165 ) | ( 14,109 ) | - | APC Investment Co., Ltd. -investee at equity |
| Ever Conquest Global Ltd. | Ever Victory Global Ltd. | BVI | Reinvestment business | 11,880,290<br>(US$ 417,145,000 ) | 11,130,838<br>( US$ 390,830,000) | 417,145,000 | 67.40% | 12,398,596<br>(US$ 435,344,000) | ( 153,485 )<br>(US $ 5,198,000) | - | Ever Conquest Global Ltd.-investee at equity |
| Ever Victory Global Ltd. | Dynamic Ever Investments Ltd. | HK | Reinvestment business | 16,770,448<br>( US$ 588,850,000 ) | 13,906,385<br>( US$ 488,286,000 ) | 588,850,000 | 85.00% | 17,523,490<br>( US$ 615,291,000 ) | ( 175,395 )<br>(US$ 5,942,000) | - | Ever Victory Global Ltd.-investee at equity |

Note 1: It has been written off in the preparation of consolidated financial statements.

# ASIA POLYMER CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2020

Attachment 6

In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| Name of Investee in Mainland | Main Business Scope | Paid-in Capital (Note 3) | Investment Mode (Note 1) | Accumulated Investment Amount Remitted from Taiwan at the Beginning of the Current Period | Amount of Investment Remitted or Recovered in the Current Period | | Accumulated Investment Amount Remitted from Taiwan at the End of the Current Period | Current Profit and Loss of the Investee (Note 3) | Shareholding Ratio of Direct or Indirect Investment of the Company | Investment (Loss) Profit Recognized in the Current Period (Note 3) | Carrying Amount of Investment at the End of the Period (Note 4) | Investment Income Remitted by the End of the Current Period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| ACME Electronics (Kunshan) Co., Ltd. | Manufacturing and sales of Mn Zn ferrite core | $ 875,048<br>( US$ 30,725,000 ) | (2)<br>ACME Electronics (Cayman) Corp. | $ 118,971<br>( US$ 4,177,369 ) | $ - | $ - | $ 118,971<br>(US$ 4,177,369 ) | B<br>$ 7,332 | 16.64% | $ 1,220 | $ 130,641 | $ - |
| USI Trading (Shanghai) Co., Ltd. | Sales of chemical products and equipment, etc | 71,200<br>(US$ 2,500,000 ) | (2)<br>APC (BVI) | 86,454<br>( US$ 3,035,601 ) | - | - | 86,454<br>( US$ 3,035,601 ) | B<br>11,497 | 100.00% | 11,497 | 120,346 | - |
| Fujian Gulei Petrochemical Co., Ltd | Manufacturing of crude oil processing and petroleum products, etc | 40,655,493<br>( RMB$ 9,314,400,000) | (2)<br>Dynamic Ever Investments Ltd.,<br>（Note2） | 3,789,932<br>( US$ 133,073,466 ) | 706,572<br>( US$ 24,809,406 ) | - | 4,496,504<br>( US$ 157,882,871 ) | A<br>( 330,217 ) | 11.71% | ( 40,514 ) | 4,723,802 | - |

| Accumulated Investment Amount Remitted from Taiwan to the Mainland at the End of Current Period | Investment Amount Approved by Investment Commission, MOEA | Investment Quota in Mainland China as Stipulated by the Investment Commission, MOEA |
|---|---|---|
| $4,839,207（Note 5）<br>（US$169,915,978） | $6,374,838<br>（US$ 223,835,608） | $ -<br>(Note 6） |

Note 1: The investment modes can be divided into the following three types, and the categories can be marked:

(1) Direct investment in mainland China.

(2) Reinvest in mainland China through a third region company (please specify the investee in the third region).

(3) Other modes.

Note: through the third region company of Ever Conquest Global Ltd. with shareholding ratio of 40.87%, re-invested in Ever Victory Global Ltd. With a shareholding ratio of 67.40% and then re-invested in Dynamic Ever Investment Ltd., with a shareholding ratio of 85% and indirectly invested in Fujian Gulei Petrochemical Co., Ltd., with a shareholding ratio of 50%.

Note 3: In the column of Current Profit and Loss of the Investee:

(1) If it is in preparation and there is no profit or loss on investment, it shall be indicated.

(2) The basis for the recognition of investment profit and loss is divided into the following three categories, which shall be indicated.

A. Financial statements audited by an International Accounting Firm in partnership with an accounting firm of the Republic of China.

B. Financial statements audited by the Taiwan parent company’s CPA.

C. Others.

Note 4: it is converted at the exchange rate of December 31, 2020.

Note 5: The Company invests in Silicon Technology Investment (Cayman) Corp. (STIC) and Solargiga Energy Holdings Ltd. through APC (BVI) Holding Co. Ltd. to indirectly invest in companies in Mainland China.

Note 6: According to the Investment Commission, MOEA’ s Jing Shou Gong Zi No. 10800262940 issued on February 26, 2020, the Company is an enterprise that has obtained the certification document issued by the industrial bureau of the Ministry of economic affairs that conforms to the business scope of the headquarters, so there is no investment limit.

ASIA POLYMER CORPORATION

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES

FOR THE YEAR ENDED DECEMBER 31, 2020

Attachment 7

In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| Investee in Mainland China | Transaction Account | Amount | Percentage | Price | Transaction Terms | | Bills and Accounts Receivable (Payable) | | Unrealized Profit and Loss | Note |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Payment Terms | Compared with General Transaction | Amount | Percentage | | |
| USI Trading (Shanghai) Co., Ltd. | Sales of goods | $ 63,613 | 1.15% | No material difference | T/T 90 days | No material difference | $ 12,462 | 1.65% | $ - | — |

Asia Polymer Corporation (APC) and Subsidiaries

Information on Major Shareholders

December 31, 2020

Attachment 8

| Name of Major Shareholders | Shares | |
|---|---|---|
| | Number of Shares | Shareholding Ratio |
| Union Polymer International Investment Corporation | 210,044,924 | 36.08% |

Note:The information of major shareholders in this Attachment refers to the information calculated by Nordic CSD on the last business day at the end of the current quarter of which the total number of common stocks and special stocks of the Company held, amounting to more than 5%, by the shareholder has been delivered without physical registration (including treasury shares). The capital stock recorded in the consolidated financial statements of the Company and the actual number of shares delivered without physical registration may be different or discrepant due to the compilation and calculation basis.

Asia Polymer Corporation

Person in charge: Quintin Wu